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No. 90-_____

IN THE

Supreme Court of the United States

OCTOBER TERM, 1990

HOWARD A. FROMSON,

Petitioner,

—v.—

WESTERN LITHO PLATE AND SUPPLY COMPANY and BEMIS COMPANY, INC.,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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QUESTIONS PRESENTED

1. What are the constraints on a United States Court of Appeals in deciding an appeal from a District Court determination on remand from a prior decision of the Court of Appeals with respect to issues explicitly or implicitly treated in the prior appeal?

2. Was it error or an abuse of discretion for the Court of Appeals to affirm without opinion a District Court determination, arrived at on remand pursuant to a mandate of a wholly different panel of the same Court of Appeals, when that determination was in substantial noncompliance with the mandate?

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No. 90-_____

HOWARD A. FROMSON,

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—v.—

WESTERN LITHO PLATE AND SUPPLY COMPANY and BEMIS COMPANY, INC.,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Petitioner, Howard A. Fromson, respectfully prays that a writ of certiorari issue to review the judgment dated and entered in this case on July 13, 1990 by the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

No opinion accompanied the Court of Appeals judgment dated July 13, 1990 and entered on that date.

The initial opinion of the United States District Court for the Eastern District of Missouri, filed September 30, 1987, is reported at 670 F. Supp. 861, 5 U.S.P.Q.2d 1327 and reprinted at 1a.[1]

1 References to the Appendix are in the form "___a".

The opinion of the Court of Appeals on a first appeal, decided August 4, 1988, is reported at 853 F.2d 1568, 7 U.S.P.Q.2d 1606 and reprinted at 18a.

The District Court's opinion on remand, filed December 6, 1989, is reported at 13 U.S.P.Q.2d 1856 and reprinted at 43a.

JURISDICTION

The judgment of the Court of Appeals sought to be reviewed was dated and entered July 13, 1990. A timely petition for rehearing was denied September 18, 1990. On December 5, 1990 Chief Justice Rehnquist ordered the time for filing this petition extended to and including January 16, 1991. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTES AND RULES INVOLVED

28 U.S.C. § 1254(1):

> Cases in the courts of appeals may be reviewed by the Supreme Court by the following methods:
>
> > (1) By writ of certiorari granted upon the petition of any party to any civil or criminal case, before or after rendition of judgment or decree . . . .

28 U.S.C. § 1295(a):

> The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—
>
> > (1) of an appeal from a final decision of a district court of the United States . . . if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title . . . .

28 U.S.C. § 1338(a):

> The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents . . . .

28 U.S.C. § 2106:

> The Supreme Court or any other court of appellate jurisdiction may affirm, modify, vacate, set aside or reverse any judgment, decree, or order of a court lawfully brought before it for review, and may remand the cause and direct the entry of such appropriate judgement, decree, or order, or require such further proceedings to be had as may be just under the circumstances.

35 U.S.C. § 284:

> Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.
>
> When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.
>
> The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

35 U.S.C. § 285:

> The court in exceptional cases may award reasonable attorney fees to the prevailing party.

Fed. R. App. P. 41(a):

> The mandate of the court shall issue 21 days after the entry of judgment unless the time is shortened or enlarged by order. A certified copy of the judgment and a copy of the opinion of the court, if any, and any direction as to costs shall constitute the mandate, unless the court directs that a formal mandate issue. . . .

Sup. Ct. R. 45.3:

> In a case coming from a United States court, a formal mandate will not issue unless specially directed; instead, the Clerk will send the court a copy of the opinion or order of this Court and a certified copy of the judgment . . . .

Fed. Cir. R. 35(a):

> . . . Although only the court in banc may overrule a binding precedent, a party desiring to argue for overruling need not make a suggestion for hearing in banc but may so argue in its principal brief and at oral argument, relegating to the panel any request to be made of the active judges to decide the case in banc. . . .

Fed. Cir. R. 47.2(b):

> Assignment of cases to panels will be made so as to provide each judge with a representative cross section of the fields of law within the exclusive jurisdiction of the court. A subsequent appeal or petition in a case will to the extent possible be assigned to the panel that decided the earlier appeal(s) or petition(s).

STATEMENT OF THE CASE

The District Court had jurisdiction of this patent infringement case by virtue of 28 U.S.C. § 1338(a) and the jurisdiction of the Court of Appeals is found in 28 U.S.C. § 1295(a).

Fromson's Invention and Western's Infringement of His Patent

Fromson invented a lithographic printing plate made of anodized aluminum in 1963 that was so superior in durability and performance to prior plates that it became *the* standard printing plate for newspapers. Today hardly a newspaper in this country is printed from anything other than a Fromson

plate. Western surreptitiously began making and selling the Fromson plate before Fromson obtained a patent on his new plate in May 1965 and infringed the patent over its entire term. By the time Fromson's patent expired in 1982, approximately 99% of Western's printing plate sales were of the Fromson plate. 106a (calculated).

During the period of its infringement, Western was this country's leading supplier of plates and associated chemicals and processing equipment to the newspaper industry. Western's infringement of Fromson's patent, which allowed it to price its Fromson plate products royalty-free, set the course of infringement for all plate suppliers who would compete with it. By the mid-1970s, when Fromson first discovered that plate suppliers were making and selling his plate, infringement of his patent was industry-wide. Western's infringement had catalyzed and made competitively necessary infringement of Fromson's patent by Polychrome, Citiplate, Imperial Metal, Advance Offset, RBP Chemical and Jakvin.

The First District Court Determination and Appeal

In its first opinion, the District Court in one paragraph determined Fromson's damages, as measured by a reasonable royalty pursuant to 35 U.S.C. § 284, to be 0.825% of Western's Fromson plate sales; declined to increase damages for Western's willful infringement pursuant to 35 U.S.C § 284, and denied Fromson his attorneys' fees pursuant to 35 U.S.C. § 285. 14a-15a. On Fromson's appeal from the foregoing, the Court of Appeals devoted 15 pages (24a-38a) of 21 pages (18a-38a) of its printed opinion to a critique of the trial court's treatment of these issues, pointing out the absence of necessary findings, the presence of improper considerations and providing guidelines for resolution of the damages-related issues on remand.

The District Court Determination on Remand

Rather than comply with the Court of Appeals opinion, the District Court on remand redoubled its reliance upon considerations criticized by the Court of Appeals, ignored specific requests in the remanding opinion and adopted a damages rationale the Court of Appeals had explicitly cautioned it to avoid. Exemplary of the District Court's failure to conduct itself in accordance with the remanding opinion are the following:

1. Refusal to Recognize High Profitability of Western's Fromson Plate

In its first determination, the District Court relied upon trial testimony of Harrell, a former Western president, that Western's profits on the Fromson plate had been low. 14a. This unsupported testimony had been contradicted at trial by substantial contemporaneous documentation from Western's own files and by Harrell's pretrial testimony:

(a) In February 1965, Western's proposed prices for Granite Grain, its first Fromson plate, were approximately 150% of the prices of Western's then-premium plate, Chemical Grain, 80a-83a (proposed Granite Grain prices appear below Chemical Grain prices). These Fromson plate prices were said to have yielded "a return on processing of approximately 50% more" than Western's Chemical Grain plates, 80a, while the *cost* of making these plates was expected to "*follow our costs generally but with a good strong margin present in all sizes.*" *Id.* (emphasis added). A Western vice president admitted that Western was "projecting a good market" for the Fromson plate in February 1965. 105a.

(b) An internal August 1965 sales analysis of Western's "premium" plate sales for April-June 1965, when Western began selling the Fromson plate, showed that Western's Granite Grain plates were being priced as projected, *i.e.*, at *50% more than the price of Western's then-premium Chemical Grain and Ball Grain plates.* 84a.

(c) In September 1965, Western was pricing Granite Grain ("ANODIZED") plates 175% higher than Brush Grain, 140% higher than Ball Grain and 90% higher than Chemical Grain. 85a-88a. Ball Grain and Chemical Grain were Western's best pre-Fromson plates.

(d) In a 1966, 103a, speech, 74a-79a, Western's vice president Parker stated that Western priced its plates in proportion to their length-of-run capabilities (number of copies capable of being printed from a single plate), 75a. The Granite Grain plate, Western's first Fromson plate, was said to be good for over 500,000 impressions, while Western's prior best, the Ball Grain plate, only gave 75,000 to 100,000 impressions. 76a.

(e) Western was selling all of the Granite Grain plates it could produce in March 1968 and Bemis, Western's parent, was asking for details of "*expected profit* which I surmise *would indicate a rather rapid payout* of the investment [for equipment to increase Granite Grain production]". 89a (emphasis added).

(f) In October 1968, a Western vice president stated that the "large Granite Grain plates should have a strong market for several years even though *they are at a premium price.*" 90a (emphasis added).

(g) By February 1970, demand for Western's Fromson plate had again exceeded Western's Granite Grain production capacity and a second Fromson plate product, Jet Grain, was well under way. In approving "additional capital appropriation" for these plates, and anticipating the necessity for even further production expansion, Bemis advised Western:

> Hope this takes care of your present requirements. *If you continue to make the same great and rewarding return you have been making*, we probably will have the same success for additional appropriations that we had this time.

92a (emphasis added).

(h) In January 1973, the Granite Grain and Jet Grain plates were said to be "*big money makers* for our [Western's] salesmen and for the company *due to their profit margin.*" 94a (emphasis added).

In another action on Fromson's patent, the *Citiplate* district court found that during this period "Western was able, because of lack of competition, to sell these [Fromson] plates at premium prices". *Fromson v. Citiplate, Inc.*, 699 F. Supp. 398, 405 (E.D.N.Y. 1988), *aff'd*, 886 F.2d 1300 (Fed. Cir. 1989).

In his *pretrial* testimony, Harrell had testified that Western's early Granite Grain sales were "very profitable", generating profits on the order of "16 to 20 percent". 100a.

Upon its consideration of the foregoing on the first appeal, the Court of Appeals stated:

> Fromson points to testimony and documents indicating high profit margins, anticipated and actual. Fromson also argues, without contradiction, that there was no acceptable noninfringing alternative product, and that his invention became the "industry standard," citing the testimony of Western's former president [Harrell] that Western, if it could not use Fromson's invention, would have had to "get out of the market." . . . *[T]he court did not indicate its reasons for disregarding the testimony and documents indicating Western's predictions of high profits and prices or for resolving the direct conflict in testimony of a single witness (Western's president Harrell) on profits.*

34a-35a (emphasis added).

The trial court on remand arrived at a "reasonable royalty" as a measure of Fromson's damages by considering as one factor "the established profitability of the product made under the patent", 53a, and again found that Western's Fromson plate profits were low, 48a, ¶¶ 3 and 4; 49a, ¶ 9, all without providing the explications called for by the Court of Appeals.

2. Use of Royalty Rate Tainted by Industry-Wide Infringement

Western was the sole infringer of Fromson's patent from 1965 to approximately 1972, when others began infringing. By the mid-1970s, when Fromson discovered that his plate had been commercialized by others without his authorization, virtually every plate supplier had followed Western's lead and Fromson's patent was the subject of industry-wide infringement.

Cognizant of these facts, the Court of Appeals on the first appeal indicated that a reasonable royalty pursuant to 35 U.S.C. § 284 comprises a hypothetically-derived "willingly bargained" royalty as of the time infringement began, plus an increase for the fact that instead of choosing to license under the patent at that rate the infringer opted to tortiously use the patented invention without consent, 33a, n. 14; *see also* 30a, n. 11. Western's "infringement" began in May 1965, when Fromson's patent issued, since Western had commenced making Fromson's plate before that time. The Court of Appeals explicitly cautioned the District Court to avoid contaminating a hypothetical negotiation between Fromson and Western *circa* May 1965 in its reasonable royalty determination on remand with real-world facts arising from the widespread infringement of Fromson's patent in the mid-1970s triggered by Western itself. *E.g.*:

> Thus Western must be viewed as negotiating [in May 1965] for the right to exclude competitors or to compete only with licensed competitors, *a landscape far different from that created, post May 1965, by the infringement of Western and others.*

33a (emphasis added).

> In determining the true measure of a reasonable royalty, a court should not select a "diminished royalty rate" a patentee may have been forced to accept "by the disrepute of his patent and the open defiance of his

> rights." *General Motors Corp. v. Dailey*, 93 F.2d 938, 941-42, 36 USPQ 520, 523 (6th Cir. 1937).

35a, n. 15.

Despite the foregoing the District Court on remand based its entire hypothetical negotiation, and indeed fully credited as a *May 1965* "willingly bargained" royalty, a royalty rate Fromson offered in the mid-to-late 1970s after he had learned of the widespread infringement of his patent, had realized that his exclusive right to control the making, using and selling of his invention was irrevocably lost, and was seeking to salvage whatever he could from the situation by making bargain-basement license offers. 49a, ¶ 10; 54a, ¶ 7.

3. Improper Emphasis on Western's Position of Industry Leader and Fromson's Position of Not Being a Plate Supplier

Perhaps detecting a lack of even-handedness in the District Court's first opinion, the Court of Appeals on the first appeal instructed the lower court at great length in the remanding opinion to avoid an analysis grounded in such factors as Western's status and role of industry leader in supplying lithographic printing plates and Fromson's status as an individual inventor not in the plate business. 29a-33a. A hypothetical reasonable royalty determination heavily weighing such considerations would grant industry leaders *carte blanche* to misappropriate the intellectual property rights of inventors not having significant corporate affiliations without fear of any real penalty. As put by the Court of Appeals, such an analysis

> should be rejected as the disservice it is to the public interest in technological advancement. That "survival of the fittest" jungle mentality was intended to be replaced, not served, by the law.

31a. *See also* 37a, n. 17 (emphasis added):

> The district court noted that Western did much to develop the newspaper market, to which it also sold

> chemicals, processing equipment, training and general promotional services. *Important here, however, is Western's use of Fromson's invention* (instead of grained-only plates it was free to sell without infringement or payment of any kind) *in meeting the demands of that market*. . . .

The District Court on remand not only failed to comport itself in accordance with these views, but it made Western's "elevated" position of industry leader and Fromson's "lowly" status as non-plate supplier the keystone and cornerstone of its analysis: *see* 47a-51a, ¶¶ 1, 5, 7, 12 and 18.

Court of Appeals
Action on Second Appeal

Upon a second appeal, a panel of the Court of Appeals having no member common to the panel that rendered the opinion in the first appeal[2] affirmed without opinion and denied rehearing. The Court of Appeals declined Fromson's suggestion to rehear the matter *en banc*.

ARGUMENT

As this Court stated in admonishing a recalcitrant Court of Appeals:

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2 Rule 47.2(b) of the Court of Appeals provides, in pertinent part:

> A subsequent appeal or petition in a case will to the extent possible be assigned to the panel that decided the earlier appeal(s) or petition(s).

The panel on the first appeal comprised Chief Judge Markey (author of the opinion), Senior Circuit Judge Nichols and Circuit Judge Bissell. 18a. At the time the second appeal was argued, July 1990, Judge Markey was Circuit Judge, not Chief Judge, and Judges Nichols and Bissell were neither active nor senior judges. Markey, Circuit Judge, *Report of the United States Court of Appeals for the Federal Circuit 1989-1990*, Charts 3 and 4 at pages 12-13.

> More importantly, however, the Court of Appeals could be viewed as having ignored, consciously or unconsciously, the hierarchy of the federal court system created by the Constitution and Congress. Admittedly, the Members of this Court decide cases "by virtue of their commissions, not their competence." And arguments may be made one way or the other whether the present case is distinguishable, except as to its facts, from Rummel. But unless we wish anarchy to prevail within the federal judicial system, a precedent of this Court must be followed by the lower federal courts no matter how misguided the judges of those courts may think it to be.

Hutto v. Davis, 454 U.S. 370, 374-75 (1982). The District Court in this case failed to adhere to the Court of Appeals mandate after the first appeal and the Court of Appeals, through a different panel, sanctioned that action. The public record of the actions of the courts below therefore fosters disobedience of and insensitivity to the decisions of superior courts.

The law of the case doctrine and the mandate rule protect important goals of the judicial system. They discourage relitigation of decided issues, foster predictability in accordance with common law precepts, summon the obedience of a court to the views of a superior court and preclude attempts to capitalize upon changes in the composition of a court. All of these goals were disserved by the District Court and Court of Appeals actions in this case.

This Court should grant certiorari

(1) to consider the circumstances under which departure from the law of the case doctrine may be appropriate, thereby resolving apparent conflicts among the Courts of Appeals and providing useful guidance to the lower courts;

(2) to consider and articulate the standards and procedure that should govern the conduct of a Court of Appeals in its review of a District Court judgment arrived at after remand,

thereby providing important guidance to the Courts of Appeals; and

(3) to exercise its supervisory powers to correct the substantial failings of the lower courts in this case, thereby addressing on the record the unfortunate appearance in the public record of a Court of Appeals having endorsed a District Court's defiance of a wholly different panel of the Court of Appeals.

This Court Should Address the Law of the Case Doctrine and Consider Providing Guidance to the Lower Courts as to What Circumstances Should Permit Departure from Application of the Doctrine and Resolving Apparent Conflicts Among the Courts of Appeals.

The common law doctrine of law of the case

> posits that when a court decides upon a rule of law, that decision should continue to govern the same issues in subsequent stages in the same case.

Christianson v. Colt Industries Operating Corp., 486 U.S. 800, 816 (1988); *Arizona v. California*, 460 U.S. 605, 618 (1983). When a litigant attempts to reopen a prior decision of a court, the doctrine is one of self-regulation. That is, law of the case does not limit the *power* of a court to reconsider a previously decided issue, it "merely expresses the practice of courts generally to refuse to reopen what has been decided." *Christianson*, *supra*, 486 U.S. at 817; *Messenger v. Anderson*, 225 U.S. 436, 444 (1912); *see Southern Railway Co. v. Clift*, 260 U.S. 316, 319 (1922) (law of the case directs discretion, *res judicata* compels judgment). The doctrine extends only to issues previously determined, *Quern v. Jordan*, 440 U.S. 332, 347 n. 18 (1979), and "promotes the finality and efficiency of the judicial process by 'protecting against the agitation of settled issues' ". *Christianson*, *supra*, 486 U.S. at 816. "Perpetual litigation of any issue . . . delays, and therefore threatens to deny, justice." *Id.* at n. 5.

> [T]here would be no end to a suit if every obstinate litigant could, by repeated appeals, compel a court to listen to criticisms on their opinions, or speculate on chances from changes in its members.

United States v. Camou, 184 U.S. 572, 574 (1902).

This Court has characterized the effect of an appeal, and the duties of the trial and appellate courts following a first appeal, thusly:

> When matters are decided by an appellate court, its rulings, unless reversed by it or a superior court, bind the lower court. Thus a cause proceeds to final determination. While power rests in a federal court that passes an order or decision to change its position on a subsequent review in the same cause, orderly judicial action, except in unusual circumstances, requires it to refuse to permit the relitigation of matters or issues previously determined on a former review.

Insurance Group Committee v. Denver & Rio Grande Western Railroad Co., 329 U.S. 607, 612 (1947) (footnote omitted). Given that application of the law of the case doctrine is discretionary, and that courts may reasonably differ over what amounts to "unusual circumstances", the Courts of Appeals have not articulated uniform standards for justifying departure from the law of the case doctrine.

A large majority of the Courts of Appeals will allow deviation from the law of the case doctrine where there has been a change in controlling law, new evidence or clear error leading to manifest injustice. *E.g.*, *Sanders v. Sullivan*, 900 F.2d 601, 605 (2d Cir. 1990); *Wheeler v. City of Pleasant Grove*, 896 F.2d 1347, 1350 (11th Cir. 1990); *Illinois Central Gulf Railroad Co. v. International Paper Co.*, 889 F.2d 536, 539 (5th Cir. 1989); *Evans v. City of Chicago*, 873 F.2d 1007, 1014 (7th Cir. 1989), *cert. denied*, ____ U.S. ____, 109 L. Ed. 2d 742 (1990); *Coal Resources, Inc. v. Gulf & Western Industries, Inc.*, 865 F.2d 761, 767 (6th Cir. 1989); *Sejman v. Warner-Lambert Co., Inc.*, 845 F.2d 66, 69 (4th Cir. 1988);

Waggoner v. Dallaire, 767 F.2d 589, 593 (9th Cir. 1985), *cert. denied*, 475 U.S. 1064 (1986); *Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc.*, 761 F.2d 649, 657 (Fed. Cir.), *cert. denied*, 474 U.S. 902 (1985); *International Union, United Automobile Workers v. Donovan*, 756 F.2d 162, 165 n. 17 (D.C. Cir. 1985); *Major v. Benton*, 647 F.2d 110, 112 (10th Cir. 1981).

The Eighth Circuit will allow reconsideration of a previously decided issue only if substantially different evidence was subsequently introduced or if the decision is clearly erroneous and works manifest injustice. *E.g.*, *Little Earth of the United Tribes, Inc. v. United States Department of Housing & Urban Development*, 807 F.2d 1433, 1441 (8th Cir. 1986); *United States v. Unger*, 700 F.2d 445, 450 n. 10 (8th Cir.), *cert. denied*, 464 U.S. 934 (1983).

The Third Circuit appears to have generally accepted the prevailing view but has thus far explicitly declined to reach the question of whether it would accept clear error as a reason for not applying the law of the case doctrine, *Schultz v. Onan Corp.*, 737 F.2d 339, 345 (3d Cir. 1984); *Hayman Cash Register Co. v. Sarokin*, 669 F.2d 162, 170 n. 10 (3d Cir. 1982); *Todd & Co., Inc. v. S.E.C.*, 637 F.2d 154, 157 n. 4 (3d Cir. 1980), although this Court has specifically approved that ground for doing so:

> Under law of the case doctrine, as now most commonly understood, it is not improper for a court to depart from a prior holding if convinced that it is clearly erroneous and would work a manifest injustice.

Arizona v. California, 460 U.S. 605, 618 n. 8 (1983); *accord*, *Christianson*, *supra*, 486 U.S. at 817.

Although a District Court within the First Circuit has stated the general rule, *Palmigiano v. Garrahy*, 639 F. Supp. 244, 256 (D.R.I. 1986), the First Circuit itself appears to have restricted its departures from law of the case to instances where it was convinced of error in the prior decision. *Lacy v. Gardino*, 791 F.2d 980, 985 (1st Cir.), *cert. denied*, 479 U.S.

888 (1986); *Doe v. Anrig*, 728 F.2d 30, 31 (1st Cir. 1984); *Acton Corp. v. Borden, Inc.*, 670 F.2d 377, 379 n. 2 (1st Cir. 1982).

Whether in this case the District Court for the Eastern District of Missouri on remand was constrained by the Federal Circuit's test[3] or the Eighth Circuit's narrower test, there was no basis under either formulation for a departure from the law of the case.

This Court Should Consider and Articulate the Standards and Procedure that Should Govern a Court of Appeals in Its Review of a District Court Judgment Rendered After Remand.

Following the disposition of a case by a Court of Appeals and a remand of it, further proceedings in a District Court are constrained by the mandate rule:

> In its earliest days this Court consistently held that an inferior court has no power or authority to deviate from the mandate issued by an appellate court.

Briggs v. Pennsylvania Railroad Co., 334 U.S. 304, 306 (1948). The inferior court

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3 The importance of striving for uniformity in what constitutes acceptable grounds for not applying the law of the case doctrine is highlighted by the fact that in patent appeals, the Federal Circuit applies the procedural law of the trial court's regional Court of Appeals, *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1574-75 (Fed. Cir. 1984), and has determined that the law of the case doctrine is a procedural matter, *Jamesbury Corp. v. Litton Industrial Products, Inc.*, 839 F.2d 1544, 1550 n. 20 (Fed. Cir.), *cert. denied*, 488 U.S. 828 (1988). Query the effect of an intervening change in controlling authority, a situation not presented here, which would not justify departure from the law of the case under the Eighth Circuit rule but would under the Federal Circuit formulation. Would the Federal Circuit on a second appeal be free to apply *its* law of the case doctrine and revise a District Court determination rendered on remand in accordance with such a change in controlling law where Federal Circuit law is that the District Court itself would not have that latitude?

> is bound by the decree as the law of the case; and must carry it into execution, according to the mandate. That court cannot vary it or examine it for any other purpose than execution; or give any other or further relief; or review it, even for apparent error, upon any matter decided on appeal; or intermeddle with it, further than to settle so much as has been remanded.

In re Sanford Fork & Tool Co., 160 U.S. 247, 255 (1895); *accord*, *Federal Communications Commission v. Pottsville Broadcasting Co.*, 309 U.S. 134, 140 (1940). The Court of Appeals has embraced this rule. *In re Wella AG*, 858 F.2d 725, 728 (Fed. Cir. 1988). For a detailed discussion of the foregoing, see *Litman v. Massachusetts Mutual Life Ins. Co.*, 825 F.2d 1506, 1507-12 (11th Cir. 1987) (*en banc*), *cert. denied*, 484 U.S. 1006 (1988).

When appellate courts issued formal mandates as a matter of course, *e.g.*, *West v. Brashear*, 39 U.S. (14 Pet.) 51, 51-52 (1840), and such a mandate was "precise and unambiguous," the lower court charged with executing the mandate was not free "to look elsewhere for authority to change its meaning." *Id.* at 54. If, however, there was "uncertainty and ambiguity" to the mandate, then

> the court below [had] unquestionably the right to resort to the opinion delivered at the time, in order to assist them in expounding it.

Id. at 54-55.

It subsequently became the practice of appellate courts to specify in the mandate that upon remand further proceedings in the case were to be in accordance with the appellate opinion. *E.g.*, *Gaines v. Rugg*, 148 U.S. 228, 238 (1893); *Board of Supervisors v. Kennicott*, 94 U.S. 498 (1877). From this practice evolved the settled law that on remand a lower court was to conduct itself in accordance with both the opinion and mandate of the remanding court:

> Upon this second appeal we have only to consider whether the court of private land claims reached its final

> decree in due pursuance of the previous opinion and mandate of this court. The decision there made is the law of the case, and is not open for reconsideration in the subsequent appeal.

United States v. Camou, 184 U.S. 572, 574 (1902).

> The clerk's order of December 10, 1937, merely followed the mandate, and the mandate by its very terms required further action by us: we were to proceed "in conformity with opinion" of the Supreme Court. Indeed, we must always look to the opinion to interpret the mandate.

Federal Trade Commission v. Standard Education Society, 148 F.2d 931, 932 (2d Cir. 1945). Indeed, this Court opined that

> the direction to proceed consistently with the opinion of the court has the effect of making the opinion a part of the mandate as though it had been therein set out at length.

Gulf Refining Co. v. United States, 269 U.S. 125, 135 (1925).

Courts of Appeals eventually dispensed with a formal mandate altogether:

> After an appeal has been decided, the practice in this Circuit is to transmit, in lieu of mandate, a copy of the opinion and a certified copy of the judgment of our court to the district court.

Dilley v. Alexander, 627 F.2d 407, 412 n. 6 (D.C. Cir. 1980). This practice was formalized in the Federal Rules of Appellate Procedure:

> . . . A certified copy of the judgment and a copy of the opinion of the court, if any, and any direction as to costs shall constitute the mandate, unless the court directs that a formal mandate issue. . . .

Fed. R. App. P. 41(a). This rule

> follows the rule or practice in a majority of circuits by which copies of the opinion and the judgment serve in lieu of a formal mandate in the ordinary case.

Id., advisory committee's note. *See also* this Court's Rule 45.3:

> In a case coming from a United States court, a formal mandate will not issue unless specially directed; instead, the Clerk will send the court a copy of the opinion or order of this Court and a certified copy of the judgment . . . .

Therefore in those judicial circuits in which this practice is followed, the District Court has *only* the Court of Appeals opinion to guide it on remand:

> [Consultation of the opinion] may now be all the more necessary since the mandate may—and at least in this circuit ordinarily does—consist of no more than the court's opinion and judgment.

City of Cleveland v. Federal Power Commission, 561 F.2d 344, 347 n. 25 (D.C. Cir. 1977).

In performing its duty to effectuate the mandate of a Court of Appeals by following the appellate opinion, a District Court should be required to do more than merely comply with any direct orders of the appellate court therein. In *United States v. Yagid*, 528 F.2d 962 (2d Cir. 1976), the Court of Appeals in a first appeal had "observed that another district judge should preside at the new trial". *Id.* at 964. In a memorandum opinion after remand, the District Court had intimated that the Court of Appeals was

> without power to effect changes in the district court's docket and that "[a]ccordingly, notwithstanding a recommendation of the Court of Appeals that a case 'should' be reassigned to another judge, no reassignment should be expected to take place . . .",

id., to which the appellate court responded:

> When we believe that there is an inherent problem in a particular remand, we have the power, indeed the duty, to frame our opinion to provide for "further proceedings . . . [which are] just under the circumstances." 28 U.S.C. § 2106. The fact that Judge Carter might be called as a witness at retrial warrants assigning the retrial to a different judge. **Such suggestions contained in appellate opinions should not be deemed merely precatory because they are not "ordered,"** especially when a retrial is mandated. Rule 41(a) of the Federal Rules of Appellate Procedure specifically provides that "[a] certified copy of the judgment and a copy of the opinion of the court . . . shall constitute the mandate . . . ." We emphatically reject the district court's notion that "[s]uch a provision in an appellate opinion . . . does not, *nor should it*, effect, without more, an automatic reassignment of the case." [emphasis added]

Id. at 965 (only bold emphasis added, footnotes omitted).

In *Harris v. Sentry Title Co., Inc.*, 806 F.2d 1278 (5th Cir.), *cert. denied*, 484 U.S. 818 (1987), the Court of Appeals reversed the District Court's judgment on remand after a prior reversal, stating that the District Court had not had available to it the option of summarily dismissing statements contained in the earlier appellate opinion:

> [T]his Court often addresses issues for the guidance of the parties and the district court on remand. It cannot be said that such considered statements should be dismissed as dictum simply because the Court was not absolutely required to raise and address such an issue. Such statements constitute the "professed deliberate determinations of the [court]" and, when done in this fashion, may not be summarily dismissed as dictum.

Id. at 1280 n. 1.

In *Continental Bank & Trust Co. v. American Bonding Co.*, 630 F.2d 606 (8th Cir. 1980), the Court of Appeals

plainly expressed its belief that specific directions to the District Court in a second appeal concerning matters dealt with by the appellate court on the first appeal should not have been necessary:

> The decision we reach today regarding the proper determination of damages is the same as that enunciated by this court in the first appeal of this case. In an effort to avert further obfuscation on this remand, however, we direct the district court on remand to follow the specific instructions set forth later in the opinion for determining damages.

Id. at 610.

Note, for example, a District Court's remarks after remand in ordering that the case before it be reassigned:

> It is not significant that reassignment is not ordered in the mandate, or comes as a suggestion in an appellate opinion.

Bradley v. Milliken, 495 F. Supp. 217, 218 (E.D. Mich. 1980).

On remand, therefore, in the absence of circumstances justifying departure from the law of the case, a District Court should be obliged to conduct its further proceedings with strict regard to all requests, directions, recommendations, suggestions and any and all other forms of requirements and guidance that might appear in the remanding opinion. The evolution of the Court of Appeals' mandate from formal mandate to formal mandate-and-opinion to opinion requires that today's District Court conform to an appellate court's opinion as carefully and dutifully as yesterday's District Court was required to comply with a formal mandate.

It necessarily follows that a Court of Appeals, on an appeal from a District Court judgment on remand, and in the absence of circumstances permitting departure from the law of the case by the Court of Appeals, should scrutinize the judgment in light of all of the requirements and guidelines set

out in the remanding opinion. The Court of Appeals should be free to review in the first instance only matters subsequent to remand, such as matters that had been left open to the District Court by the remanding opinion and matters arising from any departure from the law of the case by the District Court. *See, for example, James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 572 F.2d 574, 577-78 (7th Cir. 1978), wherein the Court of Appeals, in reviewing a District Court judgment arrived at after remand from a prior appeal, carefully compared the District Court result with the remanding appellate opinion in concluding that the District Court had repeated prior failures. *See also United States v. White*, 846 F.2d 678, 685 (11th Cir.), *cert. denied*, 488 U.S. 984 (1988) (citations omitted):

> The purpose of the law of the case doctrine is to bring an end to litigation. In addition, it ensures that district courts obey appellate courts and that the parties are not required to relitigate settled issues. With these principles in mind, we compare the district court's current set of opinions suppressing the depositions with its earlier decision and with the initial decision of this Court. This comparison clearly demonstrates that the district court violated the law of the case.

Accord, Wheeler v. City of Pleasant Grove, 746 F.2d 1437, 1440-41 (11th Cir. 1984) (*per curiam*).

There was no suggestion below that there were grounds for either the District Court or the second panel of the Court of Appeals to have departed from the law of the case doctrine, and there is nothing in the record to suggest that the second panel detected clear error in the first panel's determination.

> In any event, under the clearly-erroneous standard, we cannot meddle with a prior decision of this or a lower court simply because we have doubts about its wisdom or think we would have reached a different result. To be clearly erroneous, a decision must strike us as more than just maybe or probably wrong; it must, as one member of this court recently stated during oral argument, strike

> us as wrong with the force of a five-week-old, unrefrigerated dead fish.

Parts & Electric Motors, Inc. v. Sterling Electric, Inc., 866 F.2d 228, 233 (7th Cir.), *cert. denied*, ____ U.S. ____, 107 L. Ed. 2d 100 (1989).

Had the second panel noted cause for disagreement with the first panel's result, the proper course would have been for it to order the case resubmitted to the full court on its own motion, not to affirm without opinion:

> In the routine assignment of cases to the calendar for argument, the second appeal was presented to a panel of this Court different from that deciding the first appeal. After oral argument before that panel, the serious question arose whether, on this identical record, the second panel was in agreement with the decision of the former panel that the evidence was legally sufficient to make a jury issue. In view of this, the Court on its own motion and prior to decision of the second panel ordered the case resubmitted to the full court.

Lincoln National Life Ins. Co. v. Roosth, 306 F.2d 110, 112 (5th Cir. 1962) (*en banc*) (citations omitted), *cert. denied*, 372 U.S. 912 (1963); *cf.* Federal Circuit Rule 35(a).[4]

This Court Should Exercise Its Supervisory Powers to Correct the Substantial Failings of the District Court and Court of Appeals.

As indicated above, the District Court had no basis for departing from the law of the case on remand and therefore no basis for not fully adhering to the Court of Appeals opinion. The Court of Appeals likewise was without grounds for not applying the law of the case doctrine and should not have affirmed the District Court judgment without opinion when that judgment was grounded in considerations deemed erro-

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4 ". . . [O]nly the court in banc may overrule a binding precedent . . . ."

neous by an earlier panel and lacking in articulated justifications deemed necessary by that panel.

If not addressed and corrected by this Court, the combined actions of the courts below will encourage conduct at odds with rather than supportive of numerous goals of the judicial system. District Courts are thereby encouraged to persist in error on remand, perhaps speculating on any appeal encountering a more sympathetic panel. If a panel cannot be confident that its views will control any subsequent appeal, Courts of Appeals are encouraged to be more active on a first appeal, rather than defer to a District Court on remand to the maximum extent possible.

As stated by one Court of Appeals:

> Clearly, it would not do well for the morale or credibility of the judiciary to have one panel of Circuit Judges second-guessing another panel from the same circuit on the same question of law in the same case.

Falcon v. General Telephone Co., 815 F.2d 317, 319-20 (5th Cir. 1987) (footnote omitted). In addition to the unattractive aura emanating from an ostensibly analytical system in which governing principles appear to be determined by lot, there are significant practical ends which are not advanced by court actions such as those below:

> Under the "law of the case" doctrine, an issue of law or fact decided on appeal may not be reexamined either by the district court on remand or by the appellate court on a subsequent appeal. *Todd Shipyards Corp. v. Auto Transportation*, 763 F.2d 745, 75^ (5th Cir. 1985). This doctrine serves the practical goals of encouraging finality of litigation and discouraging "panel shopping."[4]

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4 As explained in a prior en banc decision:

> We think that in a multi-Judge Court it is most essential that it acquire an institutional stability by which the immediate litigants of any given case, and

> equally important, the bar who must advise clients or litigants in situations yet to come, will know that in the absence of most compelling circumstances, the decision on identical questions, once made, will not be re-examined and redecided merely because of a change in the composition of the Court or of the new panel hearing the case. *Lincoln National Life Ins. Co. v. Roosth*, 306 F.2d 110, 114 (5th Cir. 1962) (en banc), *cert. denied*, 372 U.S. 912, 83 S.Ct. 726, 9 L.Ed.2d 720 (1963).

Illinois Central Gulf Railroad Co. v. International Paper Co., 889 F.2d 536, 539 (5th Cir. 1989).

Review by this Court is further supported by consideration of the congested dockets of the Federal Courts and accepted common law principles such as the law of the case doctrine and the mandate rule, which, if more assiduously implemented by the lower courts, might serve to reduce the workload of those courts. For example, although petitioner's counsel are aware of nothing more than anecdotal support, it is their impression that this Court's relatively recent revisiting of the law of summary judgment[5] has resulted in a substantially increased rate of disposition of cases by summary judgment in the Federal Courts.[6]

It has been said that a difference between decisions in the same circuit ordinarily does not present a conflict of the sort this Court should review, that intra-Circuit differences are of an intramural nature and should be resolved within the Circuit, such as by consideration *en banc*. *Davis v. United*

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5 *E.g.*, *Celotex Corp. v. Catrett*, 477 U.S. 317 (1986); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 (1986).

6 Fromson, for example, in parallel actions on his patent, received three favorable court actions on motions for summary judgment, the decision in each of which relied in part upon *Celotex* and/or *Liberty Lobby*: *Fromson v. RBP Chemical Corp.*, 15 U.S.P.Q.2d 1689, 1693 (E.D. Wis. 1990); *Fromson v. Imperial Metal & Chemical Co.*, 12 U.S.P.Q.2d 1204, 1205 (E.D. Pa. 1989); *Fromson v. Citiplate, Inc.*, 671 F. Supp. 195, 200 (E.D.N.Y. 1987), *aff'd*, 886 F.2d 1300 (Fed. Cir. 1989).

States, 417 U.S. 333, 340 (1974); *Wisniewski v. United States*, 353 U.S. 901 (1957); Harlan, Justice, *Manning the Dikes*, 13 Record of Association of the Bar of the City of New York 541, 552 (1958). The Court of Appeals was here presented with the opportunity to consider this matter *en banc*, apparently contemplated doing so because it requested a response from Western to Fromson's suggestion for rehearing *en banc*, 65a, but ultimately declined the suggestion, 69a.

Moreover, where, as here, there has been a significant change in the composition of a Court of Appeals between successive appeals, there are substantial practical impediments to securing full-court review of a second panel's decision to substitute its views for those of a prior panel in the same case. For example, the Court of Appeals, at the time here pertinent, had ten active members. Markey, Circuit Judge, *Report of the United States Court of Appeals for the Federal Circuit, 1989-1990*, Chart 3, page 12. The adoption of a suggestion for rehearing *en banc* by the Court of Appeals requires the concurrence of a majority of the active circuit judges. Federal Circuit Rule 35(a), Practice Note.[7] In a case such as this, no member of the second panel would likely support rehearing *en banc*, effectively leaving a pool of seven circuit judges from which to marshal six required votes. Here the suggestion for rehearing *en banc* was further handicapped by the facts that two of the three members of the first panel were no longer on the Court of Appeals and, in any event, one of those two members had been a Senior Circuit Judge[8] not eligible to vote on a rehearing *en banc*.

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7 Suggestions for hearing and rehearing in banc are considered and decided upon by all active circuit judges, of whom a majority is required to adopt the suggestion.

8 See n. 2, *supra*.

CONCLUSION

For the reasons stated, this Petition for Certiorari should be granted.

Respectfully submitted,

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January 16, 1991

APPENDIX

There were no opinions, orders, findings of fact or conclusions of law delivered upon the rendering of the judgment by the court whose decision is sought to be reviewed.
See page 62a, *infra*.

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

No. 82-354C(6)

Filed September 30, 1987

HOWARD A. FROMSON,

Plaintiff,

—v.—

WESTERN LITHO PLATE AND SUPPLY COMPANY AND BEMIS COMPANY, INC.,

Defendants.

MEMORANDUM OPINION

This patent infringement case was tried to the Court sitting without a jury between February 17 and March 5 1987. The Court, having considered the pleadings, the evidence and testimony adduced at trial, the briefs of the parties and the applicable law, now enters judgment in favor of plaintiff and makes the following findings of fact and conclusions of law in accordance with Rule 52, Fed.R.Civ.Pro.

FINDINGS OF FACT

Plaintiff Howard A. Fromson is an individual residing in Weston, Connecticut. He is the inventor and sole owner of United States Letters Patent No. 3,181,461 (the '461 patent) issued to him on May 4, 1965 upon application filed May 10, 1963. Fromson is also a founder and principal of Ano-Coil Corporation, a Connecticut corporation with its principal place of business in Rockville, Connecticut. Ano-Coil manufactures anodized aluminum. It also manufactures litho-

graphic printing plates comprising an anodized aluminum substrate.

Defendant Western Litho Plate and Supply Company (Western) is a Missouri corporation with its principal place of business in St. Louis, Missouri.[1] Western manufactures and supplies lithographic plates, chemicals for making and using lithographic plates and plate-processing equipment. It has been engaged in the production and sale of lithographic plates since the 1950's.

The '461 patent by its terms "relates to a photographic plate for use in planographic printing and the method of making the same." In planographic printing, as opposed to raised letterpress or engraved printing, image and background are in a single plane on the printing plate surface and lithographic processes are employed to duplicate the image.

Lithographic printing is an old art based on the premise that oil and water do not mix. The image area of a lithographic plate attracts grease-based ink and repels water while the background area attracts water and repels ink. Successive treatments of the plate with water and ink cause ink to adhere to the image area of the plate. When the plate is run through a press the ink is in turn transferred to a print medium, resulting in a printed image.

Photolithographic plates such as those manufactured by Fromson and Western utilize a photographic process to form image and background areas. The image area is created on a substrate by exposing a photosensitive coating to light through a negative. Development of the plate causes retention of the coating on the plate solely in the image area. Photolithographic plates are sold both pre-sensitized—that is,

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1 Western was, at the time of filing of this action, a wholly-owned subsidiary of defendant Bemis Company, Inc. (Bemis). On April 30, 1987 Bemis sold all the outstanding capital stock of Western to Mitsubishi Chemical Industries America, Inc. (Mitsubishi). The sale was carried out pursuant to a Purchase Agreement between the parties dated April 1, 1987 which included a hold harmless clause running in favor of Mitsubishi. By stipulation of the parties, Bemis was made a defendant to this action and has agreed, in accordance with the Purchase Agreement, to satisfy any judgment entered against defendant Western.

already coated with photo-sensitive material—and as "wipe-on" plates.

Aluminum, which had been recognized as a plate material since 1894, gained wide commercial acceptance as a photo lithographic substrate in the 1950's after issuance of United States Letters Patent No. 2,714,006 (the Jewett patent) on July 26, 1955. The Jewett patent summarizes developments in the art prior to the '461 patent. The Jewett patent teaches the preparation of a lithographic plate by cleaning an aluminum surface, removing the resultant scum by treatment with 70% nitric acid, applying an alkali metal silicate and then treating the surface with a light-sensitive diazo resin. Prior to the Jewett patent, aluminum had not gained commercial acceptance because of problems with the adherence of diazo to aluminum. The significant advance embodied in the Jewett patent consists of its teaching of silication of the substrate, which promotes adherence of diazo and creates a more stable, longer-running photolithographic plate.

Aluminum when exposed to the atmosphere develops an atmospheric or "natural oxide" coating, approximately fifty to one hundred angstroms in thickness. Means of strengthening aluminum through the creation of a thicker oxide coating include anodization, in which an oxide coating of approximately one micron or more may be formed by applying an electrical current through electrodes to aluminum metal in an electrolyte bath.

In the 1950's Fromson was engaged in the business of selling metals and began, through Ano-Coil Corporation, to sell anodized aluminum for use in the manufacture of television antennas, furniture tubing and nameplates. In manufacturing anodized aluminum Fromson utilized the then-recent process of continuous coil anodization, a more efficient and economical process than labor-intensive batch anodization. Fromson had no background in lithography, but in seeking new markets for his anodized aluminum product he discussed its amenability to lithographic uses with Kalle and Azoplate, two aluminum plate suppliers. Both companies found Fromson's samples unsuitable for lithography.

Fromson continued to experiment on his own to find a means of utilizing his anodized aluminum product in the manufacture of lithographic plates. He found that treatment of anodized aluminum with sodium silicate yielded a printing plate with the desirable properties of corrosion and abrasion resistance and long press life. He filed for patent protection and, after initial rejection, his patent was allowed.

At the time of his invention Fromson was not in a position to manufacture and market lithographic plates. He had neither the facilities for producing them nor the familiarity with the market successfully to enter the field. His activity in the lithographic market was therefore limited until the mid-1970's to offering anodized and silicated aluminum in bulk to plate makers. His principal, if not sole, customer in the mid-1960's was S.D. Warren Co. (Warren), which initially placed larger orders with Fromson for anodized and dyed substrate (the Fotogold plate), out of fear of infringement of the Jewett patent by use of the silicated product.

In 1969 Warren began purchasing the anodized and silicated coil product, and subsequently 3M, Dupont and the Rogers Corporation also purchased anodized and silicated coil from Fromson. The plates produced by these customers were generally used in the commercial printing market, in which anodized and silicated plate sales represent only about 5% of total lithographic plate sales. Fromson did not attempt to enter the metro newspaper market until 1977 and did not have an effective marketing organization until 1979 or 1980. By that time an extensive newspaper market for lithographic plates had been created by Western and others. By virtue of the low production costs associated with his coil anodizing process, Fromson was rapidly able to achieve a substantial share of that market.

Prior to 1974 Warren acquired a scanning electron microscope capable of magnifying surface details of product samples. Late in 1974 Warren obtained an x-ray probe for the microscope that enabled it to permit analysis of the composition of product samples. X-ray probes of sample anodized aluminum plates from Western, Advance Offset Plate, Poly-

chrome, Richardson and others revealed heavy concentrations of silicon, suggesting infringement of the '461 patent.

In March 1979 Fromson filed for reissue in the Patent and Trademark Office (PTO). The reissue proceeding provided an opportunity for infringers to challenge the validity of the '461 patent by submitting prior art, evidentiary facts, authorities and argument to the PTO. Western, Imperial Metal & Chemical Co., E.I. duPont de Nemours & Co. and Advance Offset, Inc. appeared before the PTO. Fifty-two United States patents, fifteen foreign patents and seventeen literature references were before the PTO examiner, who made an independent search of the prior art and considered the evidence and argument. The PTO examiner ruled that "all the claims are considered to be patentable." A charge by Western that the PTO had been uninformed or misled by Fromson was rejected by the Assistant Commissioner for Patents.

In 1976 Fromson sued Advance Offset Plate, Inc. (Advance) for infringement of the same claims as to which Western is charged with infringement. *Fromson v. Adance Offset Plate, Inc.*, 219 U.S.P.Q. 83 (D. Mass. 1983); 720 F.2d 1565 (Fed. Cir. 1983); 223 U.S.P.Q. 1132 (D. Mass. 1984); 755 F.2d 1549 (Fed. Cir. 1985); unreported opinion on damages, No. 76-4515-K (D. Mass. Dec. 11, 1986) (appeal pending). An initial judgment of non-infringement was vacated on appeal. On remand, the trial court held that the Advance plates infringed claims 1, 4, 6, 7, 12 and 16 of the '461 patent, but that the patent was invalid for obviousness. This conclusion of invalidity was reversed on appeal. The damage award in *Advance* is now on appeal. Other actions are pending against *Imperial Metal & Chemical Co.*, *Citiplate, Inc.*, and *RBP Chemical Company*.

The '461 patent contains sixteen claims, eleven of which are product claims and five of which are process claims. Fromson alleges infringement by Western of claims, 1, 4, 6, 7, 12 and 16 of the '461 patent. Claim 1 is as follows:

> 1. A sensitized photographic plate comprising an aluminum sheet which has been treated to produce an aluminum oxide coating thereon, a water-insoluble,

hydrophilic, organophobic layer on said sheet resulting from the reaction of the aluminum oxide coating and an alkali metal silicate applied to said coating, and a light-sensitive coating over said layer having one solubility in relation to a solvent in a state before exposure to light and another solubility in relation to said solvent in another state after exposure to light, said light-sensitive material being soluble in said solvent in one of said states and being insoluble in said solvent and in water, hydrophobic and organophilic in its other state.

Claim 4 differs by specifying anodizing to form the oxide coating and reciting a light-sensitive coating of poly-vinyl alcohol and a bichromate. Claim 6 specifically identifies a diazo resin as the light-sensitive coating. Claim 7 defines a plate that is ready to print—that is, after exposure and development. Claim 12 describes the method for making a Claim 1 plate. Claim 16 is the Claim 12 method specific to diazo.

In the 1950's Western produced and sold silicated aluminum wipe-on plates. Concern over infringement of the Jewett patent led Western to seek an alternative to silication. In the early 1960's Western experimented with electrolytically grained aluminum plates, which were found to be unsatisfactory for lithographic use unless they were also silicated. The process followed by Western was that taught by United States Letters Patent No. 3,072,546 (the Wruck patent), which teaches electrolytic graining in hydrochloric acid using alternating current. The parties offered competing evidence at trial concerning whether electrolytic treatment inherently forms an oxide. The proof offered by Western that such an oxide forms, embodied in 1978-81 scientific publications, is not prior art. Wruck itself teaches that the treatment forms aluminum hydroxide and expressly states that the plates have "no visible trace of oxidation." An analysis of the Wruck plates performed for Western by Alcoa Research Laboratories identified a natural oxide coating. Hence, even if, contrary to Wruck's teachings, electrolytic graining did result in an oxide film, the film did not have the enhanced charactris-

tics [*sic*] of hardness or corrosion or abrasion resistance attributable to anodization.

The first Wruck plate produced by Western, Chemical Grain, comprised an aluminum plate electrochemically grained in hydrochloric acid and silicated. Chemical Grain essentially embodied the Jewett patent process. Granite Grain, another Wruck plate, represented Western's first commercial anodized and silicated aluminum plate. Western failed to show by clear and convincing proof that Granite Grain was prior art to Fromson: no catalogue of Western products earlier than 1968 includes Granite Grain; Western sales records from 1963 and 1964 indicate no Granite Grain sales; in February 1965 sales of the plates had not yet begun.

Western offered evidence of experimental work with anodized and silicated plates prior to Granite Grain and prior to the Fromson patent. The Court, however, finds that evidence unreliable and inconclusive. There is no evidence of success; Western neither commercialized nor publicized its results. Furthermore, Western waited until 1975 to accumulate documentary evidence of its own claimed invention and failed to preserve the testimony of Les Nelson, the individual alleged to have performed the work for it. Whatever work Western may have done with anodized silicated plates prior to issuance of the '461 patent does not represent prior art.

Western additionally offered evidence of prior invention by six third parties: Polychrome, Lithoplate, Meister and Holden of 3M, Wood, Alcoa and Adams. Apart from the testimony of Mr. Adams at trial, however, the evidence adduced by Western was unreliable, consisting of unauthenticated research notebooks, third-party correspondence and deposition testimony in an unrelated action. There is no evidence that any of the alleged prior inventors appreciated the significance of his work. There is no evidence that either Meister and Holden or Adams ever commercialized or publicized the results of their work with anodized silicated plates. Western has failed to offer clear and convincing evidence of prior third-party invention.

The published prior art presented to the Court consists of the following:

1. The Jewett patent. Described *supra*.

2. The Wruck patent. Described *supra*.

3. The Adams patent 3,073,765. The Adams patent describes the preparation of an aluminum lithographic plate by alternating current electrolytic graining in hydrochloric acid or nitric acid, followed by passivating by application of sodium silicate. Adams describes particular conditions for alternating current graining in hydrochloric acid and further incorporates the German patent 700,726, which describes alternating current graining in nitric acid. The Adams patent also teaches the application of a light sensitive resin to the grained and passivated plate.

4. The Belgian patent 622,409. The Belgian patent describes an electrophotographic coating on an aluminum support. The latter is anodized to produce a thick oxide coating. However, since oxide is not a good conductor, one must treat the oxide coating with an aqueous solution of metal salts—for example, sodium silicate. One next applies a photoconductive layer, comprised of a binder resin applied as one would a diazo resin. This layer is given an electric charge and then exposed to light in the shape of the desired image. A toner with an opposite charge is applied and is attracted to the exposed portions of the plate.

5. The Dowdall patent. The Dowdall patent teaches the equivalent use of polyacrylic acid or sodium silicate to create a water insoluble, hydrophilic organophobic substrate to which diazo resin is applied. As in Jewett, the treatment is of an aluminum surface cleaned and descummed in 70% nitric acid.

6. The Wood patent 2,681,310. The Wood patent discloses the preparation of a lithographic plate by anodizing aluminum to form an aluminum oxide coating, then treating with polyacrylic acid to produce a surface of enhanced water receptivity and durability.

7. The Edwards patent 1,946,153. The Edwards patent discloses anodizing and silicating aluminum for the purpose of providing corrosion protection to an aluminum surface.

Apart from the Dowdall patent, these published prior art references were before the Patent Examiner in the Reissue Proceeding and before the Court in the *Advance* litigation. These prior proceedings did not result in the invalidation of any of Fromson's claims. Western's assertion that Dowdall illuminates the pertinence of Wood by teaching the equivalence of sodium silicate and polyacrylic acid is unpersuasive. The fact remains that Western has failed to demonstrate that any other producer of lithographic plate had lighted on the Fromson process. Furthermore, elements of the prior art suggested that the Fromson invention would not succeed: Jewett found anodized aluminum unsuitable for lithographic purposes in trying to follow Kalle & Co. in French patent 904,255. Azoplate rejected Fromson's anodized aluminum samples as unsuitable for lithography. Lith-Chem-Co ceased distribution to the American lithography market of anodized plates from Germany because of poor performance. In light of these prior failures to adapt anodized aluminum to lithographic uses the Court cannot accept Western's argument that a construction of Dowdall and Wood together would incontrovertibly suggest the Fromson invention, to one of ordinary skill in the art in 1962. The parties agree that a person of ordinary skill in the art at that time would have had a bachelor's degree in chemistry or chemical engineering plus several years' experience in the field. Although the evidence demonstrates that one of ordinary skill in the art would be familiar with durability-enhancing qualities of sulfuric acid anodizing and with the compatability of sodium silicate and diazo resin, Western has not demonstrated by clear and convincing evidence that Fromson's invention would be obvious or even worth attempting, in light of previous failures in the field.

The conversion of metro newspapers from letterpress to lithographic offset printing beginning in the mid-1960's cre-

ated a substantial new market for lithographic printing plates. The availability of photocomposition equipment that eliminated the necessity of producing type from hot metal provided the initial impetus for the conversion. The conversion, however, further required high speed web offset presses first available in 1966 and was fundamentally facilitated by the development at about that time of automatic plate processing equipment and suitable inks and papers.

Western began providing lithographic plates and other products to metro newspapers in 1966. Its involvement in the conversion process was comprehensive: it provided the market plates, chemicals, plate processing equipment, plate room design and layout, training of personnel, start-up assistance, trouble shooting and general promotional services. In 1968 Western directly participated in the Sacramento Union's conversion to offset lithography. The Sacramento Union was the first metro newspaper to undergo the conversion; Western subsequently played an important role in the conversion of other metro newspapers. Its efforts in this regard, as well as its provision of equipment and chemicals necessary to the conversion, were instrumental in creating this substantial market for lithographic plates.

The anodized lithographic plate did not constitute a factor in the conversion of metro newspapers from letterpress to offset. Western was the principal original supplier to metro newspapers, and the main product it provided was a ball-grained silicated aluminum plate offering an adequate run-length at a low cost. During the initial conversion period, the sales volume of lithographic plates was too low to justify the cost of anodizing plates through a continuous coil process, and Western's inexpensive ball-grained plate retained a substantial market share. Increase in demand attributable to ongoing newspaper conversions along with improvements in coil anodizing technology in the late 1960's made coil anodizing economically feasible by the early 1970's. Western's competitors at that time began offering anodized plates at a lower price than Western's ball-grained product and Western's market position eroded.

Coil anodization is not an element of the '461 patent.

As this Court previously found, Fromson did not attempt to enter the metro newspaper market until 1977 and did not have an effective marketing organization until 1979 or 1980. Fromson's ability rapidly to achieve a substantial share of the metro newspaper market was due to competitive manufacturing costs attributable to coil anodization.

Graining of an aluminum substrate contributes substantially to the durability of a lithographic plate. An *un*grained anodized and silicated plate has a run length between 25,000 and 50,000 impressions. Electrolytic graining prior to anodization will increase the run-length to as much as 200,000; brush grained anodized and silicated plates will run 75,000 to 100,000 impressions. Neither Western nor Fromson has ever commercialized an ungrained plate. Graining is not an element of the '461 patent.

The commercial success of anodized silicated plates is attributable to the existence of a large newspaper market created through the efforts of Western and exploitable as a result of Western's provision of equipment and chemicals for use in offset printing. The durability of the plates used in the newspaper market is attributable at least in part to graining prior to anodization. Fromson's commercial success is due to the economies of coil anodization, which have enabled him to undersell his competitors.

CONCLUSIONS OF LAW

This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1338.

Western directly and contributorily infringed claims 1, 4, 6, 7, 12 and 16 of the '461 patent by anodizing aluminum sheet to produce an aluminum oxide coating thereon, by applying sodium silicate to this oxide coating to produce a hydrophilic, organophobic layer on the sheet, by coating the treated sheet with a light-sensitive material to produce a printing plate, and by selling treated sheets as wipe-on plates to customers who would use them as photolithographic printing plates. That Western only sold anodized and silicated plates that had pre-

viously been grained is not significant to the issue of infringement. Western did not persuade the Court that a grained aluminum sheet was other than an "aluminum sheet" as specified in the '461 patent. Western sold plates manufactured according to the Fromson process.

A patent is presumed valid and the burden of establishing invalidity rests on the party asserting it. 35 U.S.C. § 282. The presumption is static and can be overcome only by clear and convincing evidence that the patent is invalid. *American Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1359-60 (Fed. Cir. 1984). Prior proceedings—decisions of a Patent Examiner on an original or reissue application and conclusions of validity by a court in prior infringement actions—are not binding on a court. *Fromson II*, 755 F.2d 1549 (Fed. Cir. 1985). They are, however, evidence a court must consider in determining whether the party asserting invalidity has met its statutory burden by clear and convincing evidence. *American Hoist*, 725 F.2d at 1359-60.

In deciding the legal question whether the patent is invalid for obviousness under 35 U.S.C. § 103, this Court has considered the scope and content of the prior art, differences between the prior art and the claims at issue, and the level of skill in the pertinent art. *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966). Additionally, the Court has weighed the evidence of "secondary considerations"—the long-felt need for the patented process and its commercial success—in evaluating the obviousness of the '461 patent. *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1539 (Fed. Cir. 1983).

The Court concludes that defendant Western has failed to meet its burden of overcoming the presumption of validity of the '461 patent by clear and convincing evidence.

The parties do not dispute that the '461 patent is a combination patent comprised of several elements, each of which was old art. The proper inquiry for this Court, however, is whether "there is something in the prior art as a whole to suggest the desirability, and thus the obviousness, of making the combination." *Lindeman Maschinenfabrik GmBh v. American Hoist & Derrick Co.*, 730 F.2d 1452, 1462 (Fed. Cir. 1984), *cited with approval* in *Fromson II*, 755 F.2d at

1556. The record does not support the conclusion that the prior art suggested the '461 patent. Indeed, the record supports the conclusion that prior efforts suggested that the Fromson process would not succeed.

The Court heard competing testimony of defendant's witness Adams and plaintiff's witness Leonard concerning whether the prior art, and particularly the teachings of Dowdall and Wood, would make the Fromson process obvious. The Court concludes that Mr. Leonard's testimony was supported by the evidence at trial: The prior art teaches all around the patent without reaching the Fromson result. *See Fromson II*, 755 F.2d at 1553 (citing Patent Examiner at original proceeding). In light of the obstacle to plate manufacturers presented by the Jewett patent, and of the need for a durable, long-running plate to serve the metro newspaper market, a reasonable and permissible conclusion is that had the process been obvious Western could have presented evidence that someone else had developed it. *See Stratoflex*, 713 F.2d at 1538 (evidence of secondary considerations "may often be the most probative and cogent evidence in the record. It may often establish that an invention appearing to have been obvious was not"), *citing with approval* in *Fromson II*, 755 F.2d at 1556. Western's evidence to this effect was unpersuasive.

This Court rejects Western's attack on the Reissue Proceeding, implicitly rejected by the Federal Circuit in *Fromson II*, 755 F.2d at 1558. The Court will rather extend "the deference that is due to a qualified government agency presumed to have properly done its job, which includes one or more examiners who are assumed to have some expertise in interpreting the references and to be familiar from their work with the level of skill in the art." *American Hoist*, 725 F.2d at 1359.

Western argues that Fromson should be barred by the doctrine of laches from recovering damages for Western's sales of Fromson-type plates. Concededly, the evidence at trial established that Western infringed the Fromson patent as early as 1968; Fromson did not initiate this action until 1982. Fromson demonstrated to the Court, however, that he did

not have the means of determining whether commercial plates had been silicated until 1974. Futhermore, Fromson established that Western deliberately sought to conceal its process throughout the 1970's. Fromson sought to negotiate licenses with infringers throughout the industry upon learning of infringement, and brought suit only after Western declined to enter into a licensing agreement. While the Court recognizes that initiation of this action almost twenty years after Fromson's initial patent application may have caused some prejudice to Western in its efforts to establish prior invention, the Court does not believe that Fromson deliberately delayed commencement of the action in bad faith. The Court will not, therefore, bar plaintiff's recovery through laches.

In arriving at an appropriate rate of assessment of damages, the Court is directed to hypothesize a negotiation between a willing licensor and licensee at the time the patent issued. *TWM Mfg. Co., Inc. v. Dura Corp.*, 789 F.2d 895, 898-99 (Fed. Cir. 1986). In 1965 the metro newspaper market for lithographic plates had not been created. Defendant's witness Harvell [*sic*] testified that profits on lithographic plates were low as a result of low sales volume, and it could not have been anticipated at that time that they would increase significantly in the future. Evidence at trial indicated that plate profits have remained low in the intervening twenty years. The Court will therefore apply a standard profit of 10% for lithographic plate products. The Court finds that a willing licensee would be willing to pay a royalty of one quarter of its profits on its product attributable to the patented invention. In this case, the evidence showed that the infringing plates produced by Western, which were electrolytically grained prior to anodization, had run-lengths of 125,000 and 200,000 impressions as contrasted with an anticipated run-length of 25,000 to 50,000 impressions on the Fromson plate. If profits are to be measured for sales to an industry that valued durability and run-length over all plate characteristics, which is an appropriate measure since the metro newspaper market accounted for the bulk of sales of Fromson-type plates, one-third of the profits may reasonably be attributed to the Fromson invention. This Court therefore concludes

that Fromson is entitled to 2.5% of the one-third of Western's profits attributable to the patented invention, which yields a royalty of 0.825%, subject to prejudgment interest. The Court does not find wilful infringement by Western such as would support a treble damage award. Neither does the Court find this to be an appropriate case for the award of attorneys' fees.

Dated this 30th day of September, 1987.

GEORGE F. GUNN, JR.
UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

No. 82-354C(6)

Filed September 30, 1987

HOWARD A. FROMSON,

Plaintiff,

—v.—

WESTERN LITHO PLATE AND SUPPLY COMPANY AND BEMIS COMPANY, INC.,

Defendants.

ORDER OF JUDGMENT

Pursuant to the memorandum opinion filed herein on this date,

IT IS HEREBY ORDERED, ADJUDGED and DECREED that judgment be and it is entered in favor of plaintiff on his complaint.

IT IS FURTHER ORDERED, ADJUDGED and DECREED that defendant shall pay plaintiff royalties at the rate of 0.825% on its infringing products, subject to prejudgment interest.

Dated this 30th day of September, 1987.

GEORGE F. GUNN, JR.
UNITED STATES DISTRICT JUDGE

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

88-1039, -1061

HOWARD A. FROMSON,

Plaintiff-Appellant,

—v.—

WESTERN LITHO PLATE AND SUPPLY CO.
and BEMIS COMPANY, INC.,

Defendants/Cross-Appellants

John E. Lynch, Felfe & Lynch, of New York, New York, argued for plaintiff-appellant. With him on the brief was *Alfred H. Hemingway, Jr.*

John K. Roedel, Jr., Senniger, Powers, Leavitt & Roedel, of St. Louis, Missouri, argued for defendants/cross-appellants. With him on the brief was *Edward J. Hejlek*.

Appealed from: U.S. District Court
for the Eastern District of Missouri

Judge Gunn

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

88-1039, -1061

HOWARD A. FROMSON,

Plaintiff-Appellant,

—v.—

WESTERN LITHO PLATE AND SUPPLY CO. and BEMIS COMPANY, INC.,

Defendants/Cross-Appellants.

DECIDED: August 4, 1988

Before MARKEY, *Chief Judge*, NICHOLS, *Senior Circuit Judge*, and BISSELL, *Circuit Judge.*

MARKEY, *Chief Judge.*

Appeal and cross-appeal from a judgment of the United States District Court for the Eastern District of Missouri, Eastern Division, 5 USPQ2d 1328 (1987), that Western Litho Plate and Supply Co. (Western)[1] infringed and failed to show invalid U.S. Patent No. 3,181,461 ('461 patent) of Howard A. Fromson (Fromson) and that Fromson was entitled to "royalties at 0.825%" on the infringing products, "subject to prejudgment interest." We affirm in part, vacate in part, and remand.

1 Bemis Company, Inc., Western's parent, was joined as a defendant in August 1987, because it had agreed to satisfy any judgment against Western. On April 30, 1987, Bemis sold Western's capital stock to Mitsubishi Chemical Industries America, Inc.

I. *Background*

Lithography, Fromson's invention, the prior art, and the proceedings in the United States Patent and Trademark Office (PTO), are described in earlier opinions. *See* 5 USPQ2d at 1538; *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565, 219 USPQ 1137 (Fed. Cir. 1983) (*Fromson I*); *Fromson v. Advance Offset Plate, Inc.*, 755 F.2d 1549, 225 USPQ 26 (Fed. Cir. 1985) (*Fromson II*); *Fromson v. Advance Offset Plate, Inc.*, Nos. 87-1177, 87-1188 (Fed. Cir. Dec. 14, 1987) (*Fromson III*) (unpublished).

(a) *The Judgment*

After a bench trial conducted February 17 through March 5, 1987, the court entered this judgment on September 30, 1987:

> IT IS HEREBY ORDERED, ADJUDGED and DECREED that judgment be and it is entered in favor of plaintiff on his complaint.
>
> IT IS FURTHER ORDERED, ADJUDGED and DECREED that defendant shall pay plaintiff royalties at the rate of 0.825% on its infringing products, subject to prejudgment interest.

(b) *The Memorandum Opinion*

The court accompanied its judgment with a Memorandum Opinion setting forth a complete set of findings and conclusions on validity, infringement, and laches, and citing the evidence supporting those findings.

The court's sole reference to willful infringement and attorney fees is:

> The Court does not find wilful infringement by Western such as would support a treble damage award. Neither

> does the Court find this to be an appropriate case for the award of attorneys' fees.

5 USPQ2d at 1334.

The court's sole reference to prejudgment interest is the same as that appearing in the judgment; i.e., "subject to prejudgment interest." *Id.*

Respecting damages, the court arbitrarily selected a "10% standard profit," *id.* at 1333, and hypothesized that a willing licensee would pay one-quarter of the portion of that profit "attributable to the invention." *Id.* at 1333-34. The court then attributed one-third of the profit to Fromson's invention, arriving at a royalty rate of 0.825%. *Id.* at 1334.[2]

II. *Issues*

Western says: the patent is invalid on numerous grounds; there was no infringement; and this suit is barred by laches.

Fromson says: Western's infringement was willful; this is an exceptional case warranting attorney fees; the district court should have set a beginning date and rate of prejudgment interest; and the damage award is inadequate.

III. OPINION

Introduction

This is the eighty-fourth case in which the court has been forced, *ad nauseum*, to remind counsel that it is a court of review, i.e., that it will not find the facts *de novo*, that it is not a place for counsel to retry their cases, that its judges do not participate as advocates to fill gaps left by counsel at trial, and that the function of appellant's counsel in relation to the district court's findings is to show that those findings

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2 Though neither party referred to the mathematical error, one-third of one-fourth (or one-fourth of one-third) of 10% is 0.833%. The court did not specify in the judgment the item or figure to which the royalty rate was to be applied; i.e., percent of what? (price? gross sales revenue on all infringing plates? net revenue? gross profits? net profits?).

are clearly erroneous or, if correct, cannot support the district court's legal conclusion.

Obviously, a finding not made cannot be reviewed; nor can a naked phrase for which no basis is set forth be deemed a reviewable finding. Nonetheless, the parties here argue strenuously and at length for what they should know is not available on appeal, i.e., original findings. Western, in addition, seeks its fresh set of findings and conclusions in frequent disregard not only of the district court's findings and conclusions, but of the underlying evidentiary support cited by the court.

A. Western's Cross-Appeal

Introduction

Because, as above indicated, Western's arguments disregard too much of what the district court said and did, a full recitation and refutation of each of those arguments would serve no useful purpose and would unduly lengthen this opinion. We detain the reader only long enough to indicate that we have carefully considered each of Western's arguments.

(1) Validity

Western attacks the determination that it did not carry its burden under 35 U.S.C. § 282 by firing a shotgun at the district court. The charges include: elevating the section 282 presumption to an unsurmountable level; making no independent evaluation of the prior art; "ignoring" Western's new reference; summarily rejecting Western's attack on the reissue proceedings; placing uncritical reliance on "flawed" decisions on the Fromson patent in the PTO and in this court; relying on "nonexistent" evidence of failure of others; equating obviousness with anticipation; unfairly rejecting Western's effort to establish prior invention by Western and six others as invalidating under either 35 U.S.C. § 102 or 35 U.S.C. § 103; and failing to find that Western reduced to practice and tested certain plates before Fromson's filing date.

Western's difficulty is that the district court did not do what Western says it did. On the contrary, the district court: properly applied the presumption; made a complete, independent evaluation of each piece of prior art, individually and collectively; expressly treated Western's new reference; gave proper deference to the reissue proceeding and had good cause to reject Western's attack on that proceeding;[3] expressly stated it was not bound by any prior decision; did not equate obviousness with anticipation (Western's basis for this attack is the court's statement responding to Western's assertion of prior invention); properly rejected Western's evidence of "prior invention" by it and others as unsupported and not prior art for any purpose; and, having found Western's evidence "unreliable" and explaining why, the district court properly refused to find that Western made the invention before Fromson did.[4] The district court's determination that Western failed to carry its burden under § 282 must be affirmed.

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3 The district court described that proceeding, listing Western and three other protesting companies, stating that 52 U.S. patents, 15 foreign patents, and 17 literature references were considered, and noting that Western's attack on Fromson as misleading or not informing the examiner had been rejected by the Assistant Commissioner for Patents.

4 Western argues at length that "claim 7 is anticipated." As Western admits, the district court said nothing about anticipation or non-anticipation of claim 7. The only apparent reason for burdening this court with the argument lies in Western's effort to reflect adversely on the district court's findings on other issues, for Western does not request a remand for a finding on whether claim 7 is anticipated. And that is well, for Western was found to have infringed all six asserted claims, and a finding on whether one was anticipated would have no effect on the outcome.

Similarly, a definitive finding on commercial success was neither made nor necessary. We nonetheless note that in attributing sales to various factors, the court overlooked Western's election to sell not its grained-only plates but the infringing plates to the newspaper market, and the efforts of numerous companies in protesting reissue, efforts unlikely in relation to an unsuccessful invention or one for which noninfringing substitutes were readily available.

(2) Infringement

Western interprets Fromson's prosecution history as limiting the claims to plates without graining, and asserts that claim 4 is not infringed because bichromated polyvinyl alcohol materials are not the same as or the equivalent of diazo resin.

That Fromson distinguished his invention from plates that were only grained did not preclude infringement by Western's grained-and-anodized plates, as the district court correctly found. Thus Western's prosecution history argument must be rejected as based on a clear misinterpretation, and the district court's finding of infringement must be affirmed.

As with anticipation of claim 7, *supra* n.4, Western's assertion regarding claim 4, if it were true, could not affect the outcome. Western has failed, in any event, to show that the district court's finding of infringement of claim 4 is clearly erroneous.[5]

(3) Laches

Western's argument that Fromson had no excuse for delaying his suit simply disregards the court's findings that Fromson had no means of learning of infringement until 1974, 5 USPQ2d at 1333, and that "Fromson established that Western deliberately sought to conceal its process throughout the 1970's." *Id.* Also unmentioned in Western's argument is its own recognition at pretrial conferences that Fromson was engaged in suit with other infringers. Western's effort to obtain from this court an evaluation of evidence different from that of the district court must fail. *Anderson v. City of*

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5 The district court's finding of infringement appears under a heading "Conclusions of Law". Though infringement is a factual question, that a finding on that question appears among conclusions of law is of no consequence. *Cf. Perini America, Inc. v. Paper Converting Machine Co.*, 832 F.2d 582, 585, 4 USPQ2d 1621, 1625 (Fed. Cir. 1987) (§ 112, last paragraph claim construction analysis under "doctrine of equivalents" heading not reversible error because record reflected construction was proper).

Bessemer City, N.C., 470 U.S. 564, 574-75 (1985) ("If the district court's account of the evidence is plausible in light of the record viewed in its entirety, the court of appeals may not reverse it even though convinced that had it been sitting as a trier of fact, it would have weighed the evidence differently."). The district court recognized that Western *may* have been caused some prejudice in its efforts to prove its own prior invention, but laches is an equitable issue, and in balancing the equities the court found that the delay was not due to any bad faith on Fromson's part and declined to "bar plaintiff's recovery through laches." 5 USPQ2d at 1333. Western has not shown that decision to have been in any manner reversible.[6]

B. Fromson's Appeal

(1) Remand

The district court's treatment of willfulness, attorney fees, prejudgment interest, and damages requires a regretted remand of those issues. Neither party gave the district court, by motion under Fed. R. Civ. P. 59(e), a chance to clarify or expand its statements on those issues. Had either done so, a remand would have presumably been avoided. *Nickson Indus., Inc. v. Rol Mfg. Co.*, 847 F.2d 795, 801 n.4, 6 USPQ2d 1878, 1882 n. 4 (Fed. Cir. 1988).

(2) Willfulness

From the single sentence touching the subject, one cannot say what the finding was on willfulness. The most one can say is that Western's infringement was found willful, but insufficiently willful to warrant treble damages. We are in the dark, however, on whether the court considered Western's

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6 Though not expressly recognized by the district court, Fromson's delay was costly to him. Western had free use of Fromson's invention for eleven years, recovery being limited by 35 U.S.C. § 286 to infringement occurring during the six years prior to suit and the two months ensuing before the patent expired.

infringement sufficiently willful to warrant some other level of increased (e.g., doubled) damages, or whether the court was under a mistaken impression that a willfulness finding and a treble damage award are inseparable. The statute, 35 U.S.C. § 284 (1982), contains no such limitation, but says damages may be increased "up to" three times.[7] Willfulness is a separate finding. *See Kloster Speedsteel A.B. v. Crucible Inc.*, 793 F.2d 1565, 1580, 230 USPQ 81, 91 (Fed. Cir. 1986), *reh'g granted, modified in part*, 231 USPQ 1600, *cert. denied*, 107 S. Ct. 882 (1987).

The district court entered no express findings on whether Western: (1) made an investigation and formed a good faith belief that the patent was either invalid or not infringed; or (2) obtained an opinion of counsel before infringing;[8] or (3) otherwise disregarded its duty of exercising due care. Though the court's finding of willfulness would appear to indicate that its findings on such questions would have been adverse to Western, we can neither make such findings nor attribute our own to the district court. Findings in support of an award or denial of increased damages and attorney fees for willfulness must be made in the first instance by the district court. *See Paper Converting Mach. Co. v. Magnagraphics Corp.*, 745 F.2d 11, 20, 233 USPQ 591, 597-98 (Fed. Cir. 1984).

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7 35 U.S.C. § 284 reads:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

8 It is apparently undisputed that Western did obtain an opinion of counsel in 1969. If Western began manufacturing before the patent issued in 1965, that fact would not preclude a finding of willfulness. *Pacific Furniture Mfg. Co. v. Preview Furniture Corp.*, 800 F.2d 1111, 1114-15 n.9, 231 USPQ 67, 69 n.9 (Fed. Cir. 1986).

Western refused to answer interrogatories on whether it obtained counsel's opinion before it began infringement in 1965 or on the content of any such opinion, saying it would disclose such matters only if it were found liable for infringement at trial, in essence suggesting a separate trial on willfulness, e.g., as part of a separate trial on damages. That approach may be useful in meeting the attorney-client privilege problem. Here, however, willfulness and damages were tried with liability, and Western did not offer an opinion of counsel. Where the infringer fails to introduce an exculpatory opinion of counsel at trial, a court must be free to infer that either no opinion was obtained or, if an opinion were obtained, it was contrary to the infringer's desire to initiate or continue its use of the patentee's invention. *See Kloster Speedsteel*, 793 F.2d at 1579-80, 230 USPQ at 90-91.

Having found willfulness, the district court erred when it did not say why that fact did not render the case exceptional under 35 U.S.C. § 285 or why it did not warrant an increase in damages. *S.C. Johnson & Sons, Inc. v. Carter-Wallace, Inc.*, 781 F.2d 198, 201, 228 USPQ 367, 369 (Fed. Cir. 1986). Accordingly, the willfulness issue must be remanded to enable the district court, after consideration and explication of all the circumstances it deems probative, to exercise its discretion in awarding or denying increased damages. *See Paper Converting Mach. Co.*, 745 F.2d at 20, 233 USPQ at 597-98.

(3) Attorney Fees

The district court's single sentence on attorney fees, saying only that it did not find the case "appropriate," and making no reference to Section 285, leaves us bereft of the court's reasoning. As above indicated, we cannot know whether the court considered Western's willfulness as a basis for finding this an exceptional case warranting attorney fees under Section 285. *See Del-Mar Avionics v. Quinton Instrument Co.*, 836 F.2d 1320, 1329, 5 USPQ2d 1255, 1262 (Fed. Cir. 1987) ("finding of willful infringement is legally sufficient to meet

criterion of 'exceptional case.' ").[9] Nor do we have the court's views on Fromson's assertions that Western engaged in misconduct during litigation and vexatious litigation.

Notwithstanding the record's silence on the district court's evaluation of this case under Section 285, the parties vigorously argue for and against a finding by this court of an exceptional case and a consequent award of attorney fees; but a finding of "exceptional" is one of fact, *S.C. Johnson & Son, Inc.*, 781 F.2d at 201, 228 USPQ at 369, and must be made in the first instance by the district court.

A district court need follow no prescribed grammatical formulation in expressing its findings and conclusions. *Cf. Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1540, 218 USPQ 871, 880 (Fed. Cir. 1983). Though we review judgments, not opinion language, *Fromson II*, 755 F.2d at 1556, 225 USPQ at 31, we must and do attempt to discern from the district court's opinion or action the bases, albeit unexpressed, for its findings and conclusions. *Id.* Because that discernment cannot be made from the naked "[not] appropriate" phrase in this case, however, the issue of attorney fees under Section 285 must be remanded for an ultimate finding on "exceptional case," accompanied by subsidiary findings reflecting the reasons underlying the district court's exercise of its discretion in awarding or denying attorney fees in light of its findings. *See S.C. Johnson & Son, Inc.*, 781 F.2d at 201, 228 USPQ at 369; *cf. Pretty Punch Shoppettes Inc. v. Hauk*, 844 F.2d 782, 784-85, 6 USPQ2d 1563, 1565 (Fed. Cir. 1985) (vacating denial of preliminary injunction for insufficient findings under Fed. R. Civ. P. 52(a)).

(4) Prejudgment Interest

Complaining that the district court did not specify a rate or basis for calculating prejudgment interest, Fromson cites record portions supporting what it sees as an appropriate rate and basis. Western complains that the district court made no

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9 Additional authorities are cited in *Avia Group Int'l, Inc. v. L.A. Gear California, Inc.*, No. 87-1505, slip op. at 23-25 (Fed. Cir. July 29, 1988)

finding that would "justify" prejudgment interest, and asks this court to reverse the award, laying at Fromson's door the delay from filing of the complaint to trial, again leaving unmentioned the finding that it concealed its use of the claimed process and its own recognition at pretrial conferences that the delay was occasioned by other suits on the same patent.

Western has shown no basis for deeming the award of prejudgment interest an abuse of discretion. *See General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 657, 217 USPQ 1185, 1189 (1983) (under 35 U.S.C. § 284, "prejudgment interest shall ordinarily be awarded absent some justification for withholding such an award"); *Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp.*, 807 F.2d 964, 967, 1 USPQ2d 1191, 1193 (Fed. Cir. 1986) (same); *cert. denied*, 107 S. Ct. 3187 (1987). We therefore affirm that award, but remand to enable the district court to determine the rate of interest, the date it begins, whether it shall be simple or compounded, and such other parameters as the court may deem appropriate.

(5) Damages

(a) Criterion

The statute, 35 U.S.C. § 284, mandates that damages shall be "adequate to compensate" the patent owner for the infringement. That requirement parallels the criterion long applicable in other fields of law. As the Supreme Court said in *Albemarle Paper Co. v. Moody*, 422 U.S. 405, 418-19 (1975) (quoting *Wicker v. Happock*, 73 U.S. (6 Wall) 94, 99 (1867)):

> The general rule is, that when a wrong has been done, and the law gives a remedy, the compensation shall be equal to the injury. The latter is the standard by which the former is to be measured. The injured party is to be placed, as near as may be, in the situation he would have occupied if the wrong had not been committed.

In applying that general rule in a patent case, the Court said, "Congress sought to ensure that the patent owner would in fact receive full compensation for 'any damages' he suffered as a result of the infringement." *Devex*, 461 U.S. at 654-55, 217 USPQ at 1188.

The patent owner bears the burden of proof on damages. When the evidence is inadequate to establish actual or nearly actual damages, a court may under Section 284 employ a "reasonable royalty" as the floor below which a damage award may not fall.[10] *Del-Mar Avionics, Inc.*, 836 F.2d at 1326, 5 USPQ2d at 1260. As used in Section 284, "reasonable royalty" is handy shorthand for damages. As the statute provides, the royalty is "for the use made of the invention by the infringer." Thus the calculation is not a mere academic exercise in setting some percentage figure as a "royalty." The determination remains one of *damages* to the injured party.

(b) Methodology

Determining a fair and reasonable royalty is often, as it was here, a difficult judicial chore, seeming often to involve more the talents of a conjurer than those of a judge. Lacking adequate evidence of an established royalty, the court was left with the judge-created methodology described as "hypothetical negotiations between willing licensor and willing licensee."

Historically, the methodology has been problematic as a mechanism for doing justice to individual, non-manufacturing patentees. Because courts routinely denied injunctions to such patentees, infringers could perceive nothing to fear but the possibility of a compulsory license at a

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10 Though Fromson acquired the capacity to manufacture plates and competed with Western for a short period near the end of the patent's life, the parties and the court apparently agreed that damages were to be set by use of a reasonable royalty formulation, not on the basis of any profits lost by Fromson. Nor was there an effort to set a reasonable royalty for one period of infringement and to employ lost profits for a later period of infringement. *See TWM Mfg. Co., Inc. v. Dura Corp.*, 789 F.2d 895 (Fed. Cir. 1986).

reasonable royalty, resulting in some quarters in a lowered respect for the rights of such patentees and a failure to recognize the innovation-encouraging social purpose of the patent system.

Thus a cold, "bottom line" logic would dictate to some a total disregard of the individual inventor's patent because: (1) ill-financed, he probably would not sue; (2) cost of counsel's opinion could await suit; (3) the patent may well be held invalid on one of many possible bases; (4) infringement may not be proven; (5) if the case be lost, a license can be compelled, probably at the same royalty that would have been paid if the patentee's rights had been respected at the outset. Though the methodology must on occasion be used for want of a better, it must be carefully applied to achieve a truly reasonable royalty, for the methodology risks creation of the perception that blatant, blind appropriation of inventions patented by individual, nonmanufacturing inventors is the profitable, can't-lose course.[11]

The patent system encourages inventors to invent and disclose. Corporations don't invent; people do. Yet, the patent system also encourages corporations and investors to risk investment in research, development, and marketing without which the public could not gain the full benefit of the patent system. The right to exclude conferred by a valid patent thus deserves the same respect when that right is in the hands of an individual as when it is in the hands of a corporation. In applying the methodology, emphasis on an individual inventor's lack of money and manufacturing capacity can tend to distinguish the respect due the patent rights of impecunious individual inventors from that due the patent rights of well-funded, well-lawyered, large manufacturing corporations.

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11 Courts have on occasion recognized the need to distinguish between royalties payable by infringers and non-infringers. *Panduit Corp. v. Stahlin Bros. Fibre Works*, 575 F.2d 1152, 1158, 197 USPQ 726, 731 (6th Cir. 1978), *quoted in Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1563, 219 USPQ 377, 387 (Fed. Cir. 1983); *see Bott v. Four Star Corp.*, 229 USPQ 241, 247-48 (E.D. Mich. 1985) (5% royalty though established industry rate was 3%), *aff'd in part, rev'd in part on other grounds*, 807 F.2d 1567, 1 USPQ2d 1210 (Fed. Cir. 1986).

Any such distinction should be rejected as the disservice it is to the public interest in technological advancement. That "survival of the fittest" jungle mentality was intended to be replaced, not served, by the law.

Like all methodologies based on a hypothetical, there will be an element of uncertainty; yet, a court is not at liberty, in conducting the methodology, to abandon entirely the statutory standard of damages "adequate to compensate" for the infringement. The royalty arrived at must be "reasonable" under all the circumstances; i.e., it must be at least a close approximation of what would be "adequate to compensate" for the "use made of the invention by the infringer." 35 U.S.C. § 284.

The methodology encompasses fantasy and flexibility; fantasy because it requires a court to imagine what warring parties would have agreed to as willing negotiators; flexibility because it speaks of negotiations as of the time infringement began, yet permits and often requires a court to look to events and facts that occurred thereafter and that could not have been known to or predicted by the hypothesized negotiators.[12]

As has been said by the Supreme Court:

> At times the only evidence available may be that supplied by testimony of experts as to the state of the art, the character of the improvement, and the probable increase of efficiency or savings of expense. . . . This will generally be the case if the trial follows quickly after the issue of the patent. But a different situation is presented if years have gone by before the evidence is offered. Experience is then available to correct uncertain

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12 A further fantasy element present in use of the methodology in this case is the limited period for which damages are recoverable. Having sued on March 11, 1982, two months before the patent expired on May 4, 1982, Fromson may recover damages for the period March 11, 1976 to May 4, 1982. Had Western been a "willing licensee" on May 4, 1965, and agreed then to pay a royalty for use of Fromson's invention free of suit, it would have paid that royalty on all sales of all infringing plates over the seventeen-year life of the patent. As matters now stand, Western is assured of royalty-free use of the invention for the first eleven years of the patent's life.

> prophecy. Here is a book of wisdom that courts may not neglect. We find no rule of law that sets a clasp upon its pages, and forbids us to look within. . . .
>
> . . . To correct uncertain prophecies in such circumstances is not to charge the offender with elements of value non-existent at the time of his offense. It is to bring out and expose to light the elements of value that were there from the beginning.
>
> . . . An imaginary bid by an imaginary buyer, acting upon the information available at the moment of the breach, is not the limit of recovery where the subject of the bargain is an undeveloped patent. Information at such a time might be so scanty and imperfect that the offer would be nominal. The promisee of the patent has less than fair compensation if the criterion of value is the price that he would have received if he had disposed of it at once, irrespective of the value that would have uncovered if he had kept it as his own. Formulas of measurement declared *alio intuitu* may be misleading if wrested from their setting and applied to new conditions.

Sinclair Ref. Co. v. Jenkins Petroleum Co., 289 U.S. 689, 698-99, 17 USPQ 522, 525-26 (1933) (citations omitted); *accord Trans-World Mfg. Corp. v. Al Nyman & Sons, Inc.*, 750 F.2d 1552, 1556-58, 224 USPQ 259, 268-70 (Fed. Cir. 1984) (court found error in excluding evidence of infringer's actual profits, but gave no opinion on weight to be given that evidence).[13]

Forced to erect a hypothetical, it is easy to forget a basic reality—a license is fundamentally an agreement by the patent owner not to sue the licensee. In a normal negotiation,

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13 In *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1079-81, 219 USPQ 679, 683-84 (Fed. Cir. 1983), and in *Radio Steel & Mfg. Co. v. MTD Prods., Inc.*, 788 F.2d 1554, 1557, 229 USPQ 431, 433 (Fed. Cir. 1986), a reasonable royalty was determined without reference to events following initial infringement. The infringers, in an effort to reduce that royalty, submitted evidence of low use and low profits. That evidence was admitted but was given little or no weight.

the potential licensee has three basic choices: forego all use of the invention; pay an agreed royalty; infringe the patent and risk litigation. The methodology presumes that the licensee has made the second choice, when in fact it made the third. Thus Western must be viewed as negotiating for the right to exclude competitors or to compete only with licensed competitors, a landscape far different from that created, post May 1965, by the infringement of Western and others.

Whatever royalty may result from employment of the methodology, the law is not without means for recognizing that an infringer is unlike a true "willing" licensee; nor is the law without means for placing the injured patentee "in the situation he would have occupied if the wrong had not been committed." *Albemarle Paper Co.*, 422 U.S. at 418-19. Increased damages under § 284 for willfulness is one such means. *See Great N. Corp. v. Davis Core & Pad Co.*, 782 F.2d 159, 167, 228 USPQ 356, 360 (Fed. Cir. 1986). Attorney fees in "exceptional" cases under § 285 is another. S. Rep. No. 1503, 79th Cong., 2d Sess. (1946), *reprinted in* 1946 U.S. Code Cong. Serv. 1386, 1387, *quoted in Machinery Corp. of Am. v. Gullfiber AB*, 774 F.2d 467, 472, 227 USPQ 368, 372 (Fed. Cir. 1985) ("The discretion given the court [to award reasonable attorney fees], in addition to the present discretion to award triple damages, will discourage infringement by anyone thinking that all he would be required to pay if he loses the suit would be a royalty.") Prejudgment interest is a third such means. *Devex*, 461 U.S. at 654-55, 217 USPQ at 1188-89.[14]

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14 Fromson says a "reasonable royalty" (by which he means a "willingly bargained" royalty) gives him "nothing for the infringement." He suggests an "add on" amount to whatever is finally determined to be a bargained royalty. The district court did not mention Fromson's request for an "add on." A determination on remand of a royalty "adequate to compensate for the infringement", *see* 35 U.S.C. § 284, will render Fromson's request moot.

(c) Reasonable Royalty

Fromson challenges the 0.825% rate as "unreasonable." Western, not surprisingly, says the 0.825% rate is perfectly reasonable. Though it is probably safe to say that almost any licensee would be willing to pay less than one cent on each dollar of profit, or one-twelfth of a 10% profit, the question at hand is whether the royalty here is reasonable.

Assessing and computing damages under 35 U.S.C. § 284 is a matter within the sound discretion of the district court. *Yarway Corp. v. Eur-Control USA, Inc.*, 775 F.2d 268, 275, 227 USPQ 352, 357 (Fed. Cir. 1985); *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853, 863, 226 USPQ 402, 409 (Fed. Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986). Fromson, as appellant, has the burden of convincing this court that the district court abused its discretion. *Seattle Box Co. v. Industrial Crating & Packing, Inc.*, 756 F.2d 1574, 1581, 225 USPQ 357, 363 (Fed. Cir. 1985); *Paper Converting*, 745 F.2d at 21, 223 USPQ at 598. Abuse of discretion may be established by showing that the district court's decision was based on an error of law or on clearly erroneous fact findings, or that the district court made a clear error of judgment. *PPG Indus., Inc. v. Celanese Polymer Specialties Co.*, 840 F.2d 1565, 1567, 6 USPQ2d 1010, 1013 (Fed. Cir. 1988).

In their arguments before us, the parties emphasize either the May 1965 date of first infringement or selected later events, depending on which they see as best serving their interests. Fromson points to testimony and documents indicating high profit margins, anticipated and actual. Fromson also argues, without contradiction, that there was no acceptable noninfringing alternative product, and that his invention became the "industry standard," citing the testimony of Western's former president that Western, if it could not use Fromson's invention, would have had to "get out of the market." Western points to testimony indicating low profits and devotes virtually the entirety of its argument to Fromson's poor bargaining position in 1965, emphasizing his lack of

money and manufacturing capacity.[15] The district court, as we shall see, began with "the time the patent issued" and moved promptly to consideration of certain later events. In so doing, the court did not indicate its reasons for disregarding the testimony and documents indicating Western's predictions of high profits and prices or for resolving the direct conflict in testimony of a single witness (Western's president Harrell) on profits.

The district court's discussion of damages, in its entirety, reads:

> In arriving at an appropriate rate of assessment of damages, the Court is directed to hypothesize a negotiation between a willing licensor and licensee at the time the patent issued. *TWM Mfg. Co., Inc. v. Dura Corp.*, 789 F.2d 895, 898-99 (Fed. Cir. 1986). In 1965 the metro newspaper market for lithographic plates had not been created. Defendant's witness Harvell [*sic*, Harrell] testified that profits on lithographic plates were low as a result of low sales volume, and it could not have been anticipated at that time that they would increase significantly in the future. Evidence at trial indicated that plate profits have remained low in the intervening twenty years. The Court will therefore apply a standard profit of 10% for lithographic plate products. The Court finds that a willing licensee would be willing to pay a royalty of one quarter of its profits on its product attributable to the patented invention. In this case, the evidence showed that the infringing plates produced by Western, which were electrolytically grained prior to anodization, had run-lengths of 125,000 and 200,000 impressions as contrasted with an anticipated run-length of 25,000 to 50,000 impressions on the Fromson plate. If profits are to be measured for sales to an industry that valued durability and run-length over all plate characteristics, which

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15 In determining the true measure of a reasonable royalty, a court should not select a "diminished royalty rate" a patentee may have been forced to accept "by the disrepute of his patent and the open defiance of his rights." *General Motors Corp. v. Dailey*, 93 F.2d 938, 941-42, 36 USPQ 520, 523 (6th Cir. 1937).

> is an appropriate measure since the metro newspaper market accounted for the bulk of sales of Fromson-type plates, one-third of the profits may reasonably be attributed to the Fromson invention. This Court therefore concludes that Fromson is entitled to 2.5% of the one-third of Western's profits attributable to the patented invention, which yields a royalty of 0.825%, subject to a prejudgment interest.[16]

5 USPQ2d at 1333-44.

A fundamental error of judgment occurred when the district court attributed "one-third of the profits" to the invention. First, and assuming for the moment the relevancy of "run lengths," the court held that "infringing plates produced by Western" had run lengths of 200,000 impressions. Royalties are paid and payable on the use made of the invention, i.e., on *infringing* products and *infringing uses* of the claimed process. The reference to 25/50,000 anticipated runs of "the Fromson plate" is understandable only as an erroneous acceptance of Western's misconstruction of the claims as limited to anodized-only, non-grained plates. (At another point, the court said, "An *un*grained anodized and silicated plate has a run length between 25,000 and 50,000 impressions.") (Emphasis the court's.) Second, the claimed plate is not formed of separable parts, but is a unitary product, an entirety, produced and sold as such. There is no evidence that Western sold, or that customers in the newspaper market would buy, grained-only plates. There is thus no structural or other basis for distinguishing one-third of the infringing products sold. Third, Western's infringement encompassed

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16 Fromson complains that the district court considered only what a *licensee* would have been willing to pay, saying nothing of what he, as *licensor*, would have been willing to accept, and that his right to exploit his patent rights free of misappropriation by Western was given no weight. Fromson does not point to evidence of a particular royalty rate he would have demanded in 1965, but cites evidence of his efforts to exploit his patent in 1965 by sales of materials to plate manufacturers.

use of the claimed *process*, whatever may have been the product resulting from that use.[17]

Western relies heavily and improperly on *Georgia Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970) and its reference to "the portion of the realizable profits that should be credited to the invention as distinguished from non-patented elements." *Id.* at 1120. That language occurs in the court's introductory list of factors that had been considered in *other cases*. Cases should not be cited for mere words. What counts is what the court did in a cited case. In *Georgia Pacific*, the court expressly *refused* apportionment, pointing out that the invention in that case (a striated plywood sheet) was, like the present invention, an "entirety." *Id.* at 1132. The infringer there argued, unsuccessfully, that the infringing sheets were grooved (per earlier patents), just as Western argues here that the infringing plates were grained per earlier practice. The case thus supports Fromson, not Western, and illustrates the abuse of discretion in ordering apportionment here.

A conclusion that apportionment was error does not leave us free to affirm 2.5% of 10% as a reasonable royalty. One, the calculation should be that of the district court in the first instance. Two, we cannot fathom either the rationale that led to selection of a "standard 10% profit" or the basis for employing a percentage of a percentage. If a district court elects to consider the infringer's profit, *see Trans-World Mfg. Corp. v. Nyman & Sons, Inc.*, 750 F.2d 1552, 1568, 224 USPQ 259, 269-70 (Fed. Cir. 1984), it would appear sufficient to fix a reasonable royalty as a percentage of the dollar amount of profit made by the infringer from its use of the invention, whatever that dollar amount may have from time

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17 The district court noted that Western did much to develop the newspaper market, to which it also sold chemicals, processing equipment, training and general promotional services. Important here, however, is Western's use of Fromson's invention (instead of grained-only plates it was free to sell without infringement or payment of any kind) in meeting the demands of that market. Fromson has not demanded compensation for the sale of collateral products. *See Deere & Co. v. International Harvester Co.*, 710 F.2d 1551, 1558-59, 218 USPQ 481, 487 (Fed. Cir. 1983).

to time been.[18] Three, the district court did not say whether the royalty rate should be applied to gross or net profit.

Thus the damages issue must be remanded for recalculation of a reasonable royalty. Taking into account all the particular operative facts and individual circumstances, the district court on remand is, of course, at liberty to craft a royalty on such bases as it may deem most fair. The royalty may, for example, be measured as a percentage of Western's gross or net profit dollars, or as a set amount per infringing plate sold, or as a percentage of the gross or net price received for each infringing plate. The district court may rely on the present record if deemed adequate, or may elect to receive expert testimony on "what royalty would be reasonable under the circumstances." 35 U.S.C. § 284.

CONCLUSION

That part of the judgment entered in favor of Fromson is affirmed.

That part of the judgment providing for an 0.825% royalty is vacated.

The case is remanded for determination, with appropriate findings and conclusions, on whether Fromson is entitled to increased damages under 35 U.S.C. § 284, and to attorney fees under 35 U.S.C. § 285, and for recalculation of a reasonable royalty.

Costs

As the prevailing party, Fromson is entitled to his costs on appeal.

AFFIRMED-IN-PART, VACATED-IN-PART, REMANDED.

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18 Indeed, employment of the methodology in a proper case may result in a royalty that exceeds the infringer's profit. *Radio Steel & Mfg. Co. v. MTD Prods., Inc.*, 788 F.2d 1554, 1557, 229 USPQ 431, 433 (Fed. Cir. 1986).

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

88-1039, -1061

HOWARD A. FROMSON,

Plaintiff-Appellant,

—v.—

WESTERN LITHO PLATE AND SUPPLY CO.
and BEMIS COMPANY, INC.,

Defendants/Cross-Appellants.

JUDGMENT

On appeal from the United States District Court for the Eastern District of Missouri, in Case No(s). 82-354C(6). This CAUSE having been heard and considered, it is ORDERED and ADJUDGED:

AFFIRMED-IN-PART, VACATED-IN-PART, REMANDED.

ENTERED BY ORDER OF THE COURT

/s/ FRANCIS X. GINDHART
Francis X. Gindhart, *Clerk*

DATED August 4, 1988

Note: This Order has not been prepared for publication in a printed volume because it does not add significantly to the body of law and is not of widespread legal interest. It is a public record. It is not citable as precedent.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

88-1039, -1061

HOWARD A. FROMSON,

Plaintiff-Appellant,

—v.—

WESTERN LITHO PLATE AND SUPPLY CO. and BEMIS COMPANY, INC.,

Defendants/Cross-Appellants.

ORDER

Before

MARKEY, *Chief Judge*, NICHOLS, *Senior Circuit Judge*, and BISSELL, *Circuit Judge.*

A petition for rehearing having been filed in this case, UPON CONSIDERATION THEREOF, it is ORDERED that the petition for rehearing be, and the same hereby is, denied.

FOR THE COURT:

/s/ FRANCIS X. GINDHART
Francis X. Gindhart, *Clerk*

Filed
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT
September 15, 1988

9/15/88
Date

cc: Mr. John E. Lynch
Mr. John K. Roedel, Jr.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

88-1039, -1061

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Plaintiff-Appellant,

—v.—

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ENTERED BY ORDER OF THE COURT

DATED August 4, 1988 /s/ FRANCIS X. GINDHART
Francis X. Gindhart, Clerk

COSTS: Against, Defendants/Cross-Appellants.

PRINTING	....	$3,799.92
TOTAL	....	$3,799.92

ISSUED AS A MANDATE: September 26, 1988

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

No. 82-0354C(6)
Filed December 6, 1989

HOWARD A. FROMSON,

Plaintiff,

—VS.—

WESTERN LITHO PLATE AND SUPPLY COMPANY and BEMIS COMPANY, INC.,

Defendants.

MEMORANDUM OPINION

This matter is before the Court on remand from the United States Court of Appeals for the Federal Circuit for entry of further findings with respect to the issues of willfulness, attorney fees and prejudgment interest and for the determination of damages. 853 F.2d 1568, 1579 (Fed. Cir. 1988). On hearing after remand the parties were directed to exchange expert witness affidavits. Thereafter the parties submitted supplemental findings of fact, conclusions of law and supporting affidavits with respect to the aforementioned issues.

As a preliminary matter, the Court will address the evidentiary issues raised with respect to the affidavits submitted by the parties.

Plaintiff has moved to strike the affidavit of Cruzan Alexander, defendant's expert witness, and defendant has moved to strike the affidavits of Mssrs. [*sic*] Fromson, Knorr and Carlson.

Defendant asserts that the expert witness affidavits submitted by plaintiff are unacceptable because Mr. Fromson and Mr. Knorr are not qualified and that their affidavits exceed the scope of post-trial supplementation authorized by the Court. Defendant further objects to the Fromson and Knorr affidavits on the grounds that they contain inadmissible hearsay, incompetent lay witness testimony, irrelevancies and statements made without personal knowledge. Similarly, defendant asserts that the Carlson affidavit is argumentative, inadmissible in form, "not the credible testimony of an expert," and fails to comply with Federal Rules of Evidence 702 and 705.

Upon consideration of the affidavits submitted and defendant's objections thereto the Court concludes that defendant's request to strike the affidavits must be denied. The Court notes that portions of the affidavits are argumentative and inconsistent with the Court's previous findings in this case. To the extent that the affiant's opinions are predicated upon such inconsistencies or otherwise lack a factual basis, the Court will accord them little or no weight in reaching its determination.

Plaintiff moves to strike the affidavit of Cruzan Alexander, defendant's expert witness. Mr. Alexander's affidavit is directed to the appropriate method for the calculation of a "reasonable royalty" damage award. Plaintiff objects to Mr. Alexander's affidavit on the ground that the statements expressed contradict opinions he voiced in a paper presented at a 1986 workshop sponsored by the Licensing Executives Society. Moreover, plaintiff contends that the opinions Mr. Alexander expressed at the workshop are entirely consistent with *plaintiff's* position on compensatory damages.

The Court will not strike Mr. Alexander's affidavit but finds that certain portions of Mr. Alexander's testimony should be discounted because they conflict with views he has expressed in more neutral settings. However, this determination merely reflects a process in which the finder of fact routinely engages-assessing the weight of a witness' testimony on the basis of all the circumstances.

In support of his objections to Mr. Alexander's affidavit, plaintiff offers the declaration of his attorney, John E. Lynch. Mr. Lynch's declaration and the appended exhibits catalogue the instances in which other Courts have refused to accept, either in whole or in part, Mr. Alexander's expert testimony. Defendant has moved to strike Mr. Lynch's declaration from the record. In effect Mr. Lynch's declaration recites all those points which he might have adduced on cross-examination had the Court determined that a full evidentiary hearing was necessary on remand. But the Court did not hold such a hearing, and instead required simultaneous submission of expert affidavits after exchange by the parties. Thus, Mr. Lynch's affidavit clearly exceeds the permissible scope of post-trial supplementation. Nevertheless, the Court will allow the declaration to remain of record as an expression of plaintiff's position on Mr. Alexander's credibility. Accordingly, defendants' motion to strike the declaration of John E. Lynch will be denied.

Finally, defendants move to strike the affidavit of Alan Friedman, an accountant and partner in the Management Consulting Division of Touche Ross & Company. This motion will be denied, inasmuch as the affidavit merely supplements stipulated trial testimony regarding the proper calculation of prejudgment interest based upon T-bill rates by converting bank-discount rates to equivalent investment yield rates.

On the issue of royalty rates, defendant submits evidence of offers to license or licenses of the Fromson patent as being indicative of a reasonable royalty rate. Plaintiff objects, contending that such evidence should be excluded under Federal Rules of Evidence 402, 403 or 408. Pursuant to Federal Rule of Evidence 408 "[e]vidence of (1) furnishing or offering or promising to furnish, or (2) accepting or offering or promising to accept a valuable consideration in compromising . . . a claim which was disputed as to either validity or amount is not admissible to prove liability for or invalidity of the claim or its amount." Plaintiff bears the burden of proving that offers to license or licenses are properly excludable under Rule 408. Plaintiff asserts that offers extended to the follow-

ing suppliers: Western, Citiplate, Advance, Imperial, RBP, Javkin, Richardson and Polychrome during the mid-1970s should be excluded because they were made in an atmosphere of widespread infringement and "in contemplation of infringement litigation." *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1078 (Fed. Cir. 1983). On the basis of an unpublished opinion of the Federal Circuit concerning the same patent, defendant asserts that evidence of these offers is admissible under Rule 408 as "opening gambits in an expected negotiation." *See Fromson v. Advance Offset Plate, Inc.*, slip op. Nos. 87-1177, 87-1188 at 3 (Fed. Cir. Dec. 14, 1987). The Court notes that the Federal Circuit's holding in *Advance* is without precedential value. Nevertheless, the Court concludes on the basis of its own consideration of the issue that these offers are admissible under Rule 408.

Defendants argue that a November 1976 licensing offer made by Fromson to an attorney representing an undisclosed principal and an August 25, 1977 licensing offer made to James E. Harper & Associates are admissible under Rule 408 as offers to license extended to third parties not made in an attempt to compromise disputed claims. On the basis of the Federal Circuit's holding in *Deere & Co. v. Int'l Harvester Co.*, 710 F.2d 1551 (Fed. Cir. 1983), the Court concludes that the aforementioned offers to the undisclosed principal and James E. Harper & Associates are properly admissible under Rule 408. In *Deere & Co. v. Int'l Harvester Co.*, the Federal Circuit concluded that it was error to exclude evidence of a third party license negotiated while defendant was infringing plaintiff's patent. 710 F.2d at 1557. Although the third party license was negotiated while the litigants in that action were "locked in disputes over [the] validity and infringement of the . . . patent," the Court concluded that the third party license was not itself inadmissible evidence of the settlement of a disputed claim. *Id.* Accordingly, evidence of the aforementioned offers to license made by Fromson to third parties will be admitted.

Although these offers are admissible under Rule 408 and relevant within the meaning of Rule 402, the Court also finds that they have minimal probative value. *See Deere & Co. v.*

Int'l Harvester Co., 710 F.2d at 1557; *Tights, Inc. v. Jatser-Roth Corp.*, 442 F.Supp. 159, 164-65 (M.D. N.C. 1977). The probative value of these offers should be discounted because the offers occurred in an atmosphere of widespread infringement. *See Rude v. Wescott*, 130 U.S. 152, 165, 9 S.Ct. 463, 468, 2 L.Ed. 888 (1889) (license paid or secured by a relatively minor competitor after the onset of the complained infringement may be rejected as a measure of damages against an infringer). In particular the Court notes that its assessment of the damages herein is not based upon the offers extended to Western, Citiplate, Advance, Imperial, RBP, Javkin, Richardson and Polychrome.

The Court, having resolved the preliminary matters discussed above and having considered the pleadings, the evidence and testimony adduced at trial, the briefs of the parties and the applicable law, now makes the following supplemental findings of fact and conclusions of law in accordance with Rule 52, Fed.R.Civ.P.

Supplemental Findings of Fact

1. When the Fromson patent issued in 1965, no market existed for an anodized and silicated plate. At the time of his invention Fromson was not in a position to manufacture and market lithographic plates. He had neither the facilities for producing them nor the familiarity with the market necessary to enter the field successfully.

Conversely, at the time the Fromson patent issued, Western possessed substantial technical know-how and familiarity with the lithographic plate industry. In addition, Western was the first to successfully commercialize the grained, anodized and silicated plate.

2. In 1965 Western's Chemical Grain plate and its ball grained plate, neither of which was anodized, adequately served the existing market for wipe-on lithographic plates. For the period April-June, 1965 Western sold 1,915 Granite Grain plates and generated revenue of $5,375 on these sales. At that time Western's sales of anodized plates represented a

speculative effort to penetrate a new market by displacing deep etch plates. Western had no reasonable basis to expect that the Granite Grain plate would be successful and, in fact, experienced resistance to the sale of Granite Grain plates in that market. Ultimately, Western's efforts to penetrate a new market through sales of the Granite Grain plate were only moderately successful.

3. Although Western's president Harrell testified that in February 1965 Western could have earned pre-tax profits of 16-20% of its sales of Granite Grain plates, this projection assumed full capacity production of Granite Grain plates. Western had no reasonable basis to expect that demand for Granite Grain plates would meet its capacity to produce those plates. In May 1965 when the Fromson patent issued, Western was utilizing only 30% of its capacity for Granite Grain plate production. Thus, in May 1965 Western had no reason to predict that pre-tax profits from the sale of Granite Grain plates would exceed 10%, which was the amount of profit it earned from its sales of other wipe-on plates. Although Granite Grain plate sales subsequently increased, the product never achieved great success.

4. At all relevant times the wipe-on plate market has been a low profit industry.

5. In the mid-1960s the conversion of metro newspapers from letterpress to lithographic offset printing created a substantial new market for lithographic printing plates. Western began providing lithographic plates and other products to metro newspapers in 1966. Western's involvement in the conversion process was comprehensive: it provided equipment, chemicals and know-how necessary to effect the conversion. Western played a decisive role in the conversion of metro newspaper printing from letterpress to offset.

6. The anodized lithographic plate did not contribute to the conversion of metro newspaper printing from the letterpress to the offset method. During the initial conversion period the sales volume of lithographic plates was too low to make continuous coil anodization a cost-effective means of

producing anodized plates. An increase in demand due to conversion of the metro newspaper market coupled with improvements in coil anodization technology made coil anodization economically feasible by the early 1970s.

7. Until the mid-1970s Fromson's activity in the lithographic market was limited to offering anodized and silicated aluminum in bulk to plate makers. Fromson did not attempt to cater the metro newspaper market until 1977 and did not have an effective marketing organization until 1979 or 1980. Competitive manufacturing costs attributable to coil anodization enabled Fromson rapidly to achieve a substantial share of the metro newspaper market.

8. Coil anodization is not an element of Fromson's '461 patent.

9. The majority of Western's sales of anodized plates during the relevant period were to the metro newspaper market rather than the commercial printing market. Prior to 1975 Western sold two types of anodized and silicated plates, the Granite Grain plate and the Jet Grain plate to the commercial printing market. For the period 1971 to 1974 Western's pre-tax profits on its sales of these plates averaged only 4.3% of sales. During the 1960s Western's profits on those products were less than 4.3% of sales.

10. The Court finds that the following offers by Fromson to grant non-exclusive licenses of his patent are indicative of what Fromson himself considered to be a reasonable royalty for use of the process. In each instance Fromson offered a non-exclusive license. There is no evidence that any of the prospective licensees had infringed the Fromson patent prior to the time at which Fromson extended the offers.

In 1964 Fromson entered into a preliminary agreement with S. D. Warren in anticipation of granting Warren a non-exclusive license. In 1970 and 1971, Fromson wrote to Eastman Kodak and Azoplate Corp., respectively, and suggested that licensing might be mutually advantageous. In November 1976 Fromson's attorney wrote to an attorney representing an undisclosed principal and offered a non-exclusive license at a

royalty rate of 2¢ per pound. Fromson's attorney represented this as a standard rate asserting that licenses were "available to the industry on the same basis. . . ." In August 1977 Fromson extended to another party an offer for a non-exclusive license at the 2¢ per pound rate. In 1978 Fromson extended an offer to duPont for a non-exclusive license at a royalty rate of 1¢ square foot of presensitized plate sold by duPont. Based on Western's sales in 1977 and 1978, a 2¢ per pound royalty would have been equivalent to a royalty of 0.7–0.8% of total sales. Fromson is entitled to recover a greater royalty than this because this offer occurred in an atmosphere of widespread infringement.

11. The Court accepts the opinion of plaintiff's expert Alpert that the lack of substantial investment by the licensee "militate[s] towards a lower royalty" than that argued for by Fromson. In this regard the Court notes that, at the time the Fromson patent issued, Western had developed an anodized and silicated plate but had not made a substantial investment in facilities for its manufacture.

12. Western was instrumental in developing the metropolitan newspaper market which Fromson later exploited. Thus, although Western infringed Fromson's patent, Western's use of the process also conferred a benefit upon Fromson.

On the basis of supplemental findings of fact 13 through 17 below, this Court finds that Western's infringement of Fromson's patent was willful.

13. Western learned of Fromson's patent from its patent attorney shortly after the patent issued in May 1965 when a Western vice president, Parker, was sent the Fromson patent by Sutherland, Western's patent attorney. Parker discussed the patent with Harrell, Western's president, and William R. Gould, another Western vice-president.

14. There is no contemporaneous documentation evidencing a good faith belief on the part of Western that the Fromson patent was invalid or not infringed by Western's anodized and silicated plates.

15. There is no contemporaneous documentation or testimony indicating that Western considered suspending production of its anodized and silicated plates while it considered the implications of the Fromson patent.

16. As this Court has already held, Western did not hold a good faith belief that it was the prior inventor of the anodized and silicated aluminum lithographic plate.

17. There is no evidence that Western ever sought or obtained an opinion of counsel relating to the validity of Fromson's patent or Western's possible infringement thereof.

On the basis of supplemental findings of fact 18-22, the Court concludes that this is not an exceptional case warranting an award of attorneys' fees to the prevailing party.

18. Western played a central role in the development of the newspaper market in which the grained, anodized and silicated plate later found commercial use. Fromson did not enter this market until several years after he had confirmed that Western was manufacturing and selling anodized and silicated aluminum lithographic plates. Beginning in the late 1970s, however, Fromson entered and captured a substantial share of the newspaper market. Fromson thus benefitted from the efforts of Western in establishing the market for anodized plates.

19. When initially charged with infringement in 1975, Western negotiated in good faith until Fromson broke off the settlement discussions.

20. In the late 1970s, Fromson recognized potential grounds for the invalidity of his patent and in March of 1979 submitted it to the Patent office for examination pursuant to the reissue process. In response to Fromson's invitation, Western participated as a protestor in the reissue proceedings and offered substantial arguments against the patentability of Fromson's claims.

21. Although the PTO examiner ultimately determined that the protestors had not overcome the applicable presumption

of validity, he expressly recognized that the question of patentability presented a "close case."

22. In the present action Western presented a substantial attack on the validity of the Fromson patent although it failed to marshal the clear and convincing evidence of obviousness or anticipation necessary to overcome the presumption of validity.

Conclusions of Law

1. Having previously determined that Fromson sustained his burden of proving infringement, the Court holds that Fromson is entitled to an award of damages to compensate him for Western's infringement. 35 U.S.C. § 284. The patent holder bears the burden of proof on damages. *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568, 1574 (Fed. Cir. 1988).

2. When the evidence is inadequate to establish actual damages, a court may employ a "reasonable royalty" as the floor below which a damage award may not fall. *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568, 1574 (Fed. Cir. 1988) (citing *Del-Mar Avionics, Inc. v. Quinton Instrument Co.*, 836 F.2d 1320, 1326 (Fed. Cir. 1987)). Fromson did not sustain his burden of showing that he is entitled to an award of damages calculated on other than a reasonable royalty basis.

3. A reasonable royalty is a hypothetical royalty resulting from arm's length negotiations between a willing licensor and a willing licensee. *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1078 (Fed. Cir. 1983). Such an award must be "adequate to compensate for the infringement." 35 U.S.C. § 284. It represents the amount that a person desiring to manufacture . . . a patented article, as a business proposition, would be willing to pay as a royalty and yet be able to make . . . the patented article, in the market, at a reasonable profit." *Trans-World Mfg. Corp. v. Al Nyman & Sons, Inc.*, 750 F.2d 1552, 1568 (Fed. Cir. 1984).

4. The date of the hypothetical negotiation is the date on which infringement began. *TWM Mfg. Co., Inc. v. Dura Corp.*, 789 F.2d 895, 899 (Fed. Cir. 1986). In this case Western was manufacturing and selling infringing product on the date that the patent issued. Accordingly, the date of the hypothetical negotiation is the date on which the Fromson patent issued, May 4, 1965.

In determining the royalty which the parties might have negotiated at that time the Court is not limited to facts and information known at the time of the hypothetical negotiation but can and should look to circumstances which occurred after that date. *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d at 1575.

5. The following factors have been considered by other courts and were considered by this Court in determining a reasonable royalty:

(a) the royalties received by the patentee for licensing of the patent in suit,

(b) whether the license is exclusive or nonexclusive,

(c) the established profitability of the product made under the patent,

(d) the utility and advantages of the patent property over the old modes or devises,

(e) the portion of the realizable profit that may be customary in the particular business or in comparable businesses to allow for use of the invention, and

(f) the portion of the realizable profit that should be credited to the invention as distinguished from non-patented elements, such as the manufacturing process, business risks or significant improvements added by the infringer. *See Georgia Pacific Corp. v. United States Plywood Corp.*, 318 F.Supp. 1116, 1120 (S.D. N.Y. 1970); *award modified*, 446 F.2d 295 (2d Cir. 1971).

6. Although the patent may have been subject to widespread infringement from many sources, the Court must view Western as negotiating in May of 1965 for the right to

exclude competitors or to compete only with licensed competitors. *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d at 1576.

7. The evidence before the Court concerning Fromson's licensing activity shows that he was willing to accept a nonexclusive license in the early 1960s and was offering a nonexclusive license at 2¢ per pound of lithographic plates during the late 1970s (an amount equivalent to a royalty of 0.7-0.8% of Western's infringing sales). The Court concludes Fromson is entitled to a greater royalty than 0.8% of infringing sales in order to compensate him for Western's infringement of the patent. An increase in damages over this rate is required to guard against an award reflecting "a diminished royalty rate" resulting from the "open disrepute of his patent . . . ." *Fromson*, 853 F.2d at 1577 n.15 (quoting *General Motors Corp. v. Dailey*, 93 F.2d 938, 941-42 (6th Cir. 1937)).

8. On the basis of the evidence before it, the Court concludes that Fromson is entitled to recover a hypothetical royalty of 1.5% of Western's sales of infringing product from March 11, 1976 through May 4, 1982. Fromson will be awarded damages as shown below.

Year	*Western's Sales of Infringing Product*	*Fromson's Damages at 1.5% of Sales*
1976	$ 2,580,245	$ 38,703.68
1977	5,920,365	88,805.48
1978	7,261,601	108,924.02
1979	10,733,307	160,999.61
1980	14,270,167	214,052.51
1981	17,135,906	257,038.59
1982	5,896,829	88,452,44
Total:	$63,798,420	$956,976.33

9. The patentee, Fromson, has the burden of proving by clear and convincing evidence that infringement has been willful. *E.I. duPont de Nemours & Co. v. Phillips Petroleum Co.*, 849 F.2d 1430, 1440 (Fed. Cir. 1988); *Shatterproof*

Glass Corp. v. Libbey Owens Ford Co., 758 F.2d 613, 628 (Fed. Cir. 1985).

10. In determining whether an infringer has acted in bad faith, so as to merit an increase in damages awarded against him, the Court is directed to consider the totality of the circumstances, including (1) whether the infringer deliberately copied the ideas or design of another; (2) whether the infringer, when he knew of the other's patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed; and (3) the infringer's behavior as a party to the litigation. *Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986). The presence or absence of an opinion of counsel regarding validity or infringement of the patent is one factor to consider in determining willfulness, but there is no *per se* rule excluding a finding of willful infringement where an opinion is submitted, nor a *per se* rule requiring a finding of willfulness when no opinion is placed in evidence. *Machinery Corp. of America v. Gullfiber A.B.*, 774 F.2d 467, 472-73 (Fed. Cir. 1985); *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853, 867 (Fed. Cir. 1985). Whether the infringer stopped, suspended or altered its infringing activity in response to administrative proceedings affirming the validity of a patent is an additional factor to consider in determining whether the infringement is willful. *Corning Glass Works v. Sumitomo Electric U.S.A., Inc.*, 671 F.Supp 1369, 1400-01 (S.D.N.Y. 1987).

11. The determination of whether there is willfulness depends on evaluations of credibility and motivation which are within the province of the finder of fact. *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d at 626. Further, the decision whether or not to award increased damages in the instance where willfulness is found is in the sound discretion of the district court. *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1126 (Fed. Cir. 1987); *Kloster Speedsteel A.B. v. Crucible, Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986); *S.C. Johnson & Sons, Inc. v. Carter-Wallace, Inc.*, 781 F.2d 198, 201 (Fed. Cir. 1986).

12. A finding of willfulness does not require an award of increased damages or attorneys' fees where the overall circumstances of the case do not justify such remedies. The measure of damages, as indeed the assessment of attorneys fees, provides an opportunity for the trial court to balance equitable considerations as it determines whether and how to recompense the successful litigant. *S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc.*, 781 F.2d 198, 201 (Fed. Cir. 1986); *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1126 (Fed. Cir. 1987).

13. Having found that Western's infringement of the patent was willful, the Court further concludes that Fromson is entitled to an award of enhanced damages under 35 U.S.C. § 284. Accordingly, the damages awarded will be doubled.

14. Under 35 U.S.C. § 285, the court in an exceptional case may award attorney fees to the prevailing party. The prevailing party has the burden of proving by clear and convincing evidence that the case is exceptional; once the exceptional nature of the case is established, the question of whether to make an award of attorneys fees is committed to the sound discretion of the trial court, *Reactive Metals & Alloys Corp. v. ESM*, 769 F.2d 228 (Fed. Cir. 1985). This is not such an exceptional case.

15. In order to avoid penalizing a party for merely defending or prosecuting a lawsuit, attorneys' fees are not to be routinely assessed against a losing party in litigation *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 718 (1967). Attorneys fees should be awarded only to avoid gross injustice. *Revlon, Inc. v. Carson Products Co.*, 703 F.2d 676 (Fed. Cir. 1986). In this case the question of infringement was a close one and the Court cannot conclude that defendant should be penalized for mounting a good faith defense to plaintiff's charge. In addition, defendant's conduct during the course of the litigation does not warrant such an award. An award of attorneys fees in plaintiff's favor would work a gross injustice. This Court therefore concludes

that Fromson is not entitled to an award of attorneys fees under 35 U.S.C. § 285.

16. The purpose of prejudgment interest is to compensate the patent owner for the loss of the money that the owner had a right to as a result of the infringement. *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 655-56, 76 L.Ed.2d 211, 217-18, 103 S.Ct. 2058 (1985). Accordingly, prejudgment interest should run from the date of liquidation of damages, March 11, 1976, to the date of judgment. *Bio-Rad Laboratories, Inc. v. Nicolet Instr. Co.*, 807 F.2d 964, 967 (Fed. Cir. 1986), *cert. denied*, 107 S.Ct. 3187 (1987). In addition, an award of compound rather than simple interest assures that the patent owner is fully compensated. *See Railroad Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1510 n.1 (Fed. Cir. 1984); *Schering Corp. v. Precision-Cosmet Co.*, 614 F.Supp. 1368, 1384 (D. Del. 1985).

17. On remand plaintiff urges this Court to award prejudgment interest at a rate corresponding to the return on "conservative, investment grade securities such as AAA Corporate Bonds." However, at trial plaintiff raised no objection to an award of prejudgment interest at the 52-week Treasury bill rate. In light of the ample precedent supporting the Treasury bill rate as an adequately compensatory rate, the Court will award prejudgment interest at the 52-week T-bill rate compounded annually.

The Court therefore concludes that plaintiffs are entitled to an award of prejudgment interest to run from the date of liquidation of damages, March 11, 1976, to the date of judgment at the rate corresponding to the appropriate Treasury bill rates for the period in question and to be compounded annually.

Dated this 6th day of December, 1989.

GEORGE F. GUNN, JR.

UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

No. 82-0354C(6)

Filed December 6, 1989

HOWARD A. FROMSON,

Plaintiff,

—VS.—

WESTERN LITHO PLATE AND SUPPLY COMPANY and BEMIS COMPANY, INC.,

Defendants.

ORDER

Pursuant to the memorandum opinion filed on this date herein,

IT IS HEREBY ORDERED that plaintiff's motion to strike the affidavit of Cruzan Alexander be and it is denied.

IT IS FURTHER ORDERED that defendant's motion to strike the affidavits of Mssrs. Fromson, Knorr and Carlson be and it is denied.

IT IS FURTHER ORDERED that defendant's motion to strike the declaration of John E. Lynch be and it is denied.

IT IS FURTHER ORDERED that defendant's motion to strike the affidavit of Alan Friedman be and it is denied.

IT IS FURTHER ORDERED that plaintiff's motion to exclude evidence of offers to license and licenses of the Fromson patent be and it is granted in part and denied in part.

IT IS FURTHER ORDERED that plaintiff's request for a full evidentiary hearing be and it is denied.

IT IS FURTHER ORDERED, ADJUDGED and DECREED that plaintiff shall recover of defendant $1,913,952.66 in damages with prejudgment interest to run from the date of liquidation of damages, March 11, 1976, to the date of judgment.

IT IS FURTHER ORDERED that plaintiffs shall submit in writing and no later than five (5) days from this date, a schedule of the appropriate Treasury bill rates for the period in question.

Dated this 6th day of December, 1989.

GEORGE F. GUNN, JR.
UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

Cause No. 82-0354C(6)

Filed December 26, 1989

HOWARD A. FROMSON,

Plaintiff,

--against—

WESTERN LITHO PLATE AND SUPPLY COMPANY and BEMIS COMPANY, INC.,

GUNN, G.F.

PROPOSED JUDGMENT

In accordance with the Opinion and Order dated December 6, 1989:

1. Judgment is hereby entered for the plaintiff on the compensatory patent damages claim (35 U.S.C. § 284) in the amount of $956,976.33, plus prejudgment interest compounded annually at the 52-week treasury bill yield rate in the amount of $1,284,400.62 plus $488.39 per day after December 21, 1989 up to and including the day of entry of judgment. The total amount of the judgment on the compensatory damages claim is $2,241,376.95 plus $488.39 per day after December 21 until and including the day judgment is entered. Post-judgment interest shall be computed at the rate set by 28 U.S.C. § 1961.

2. Judgment is hereby entered for plaintiff on the willful infringement claim in the amount of $956,976.33.

/s/ JOHN E. LYNCH

JOHN E. LYNCH
FELFE & LYNCH
805 Third Avenue
New York, NY 10022
(212) 688-9200
Attorney for Plaintiff

/s/ JOHN K. ROEDEL, JR.

JOHN K. ROEDEL, JR.
SENNIGER POWERS LEAVITT & ROEDEL
611 Olive Street
St. Louis, Missouri 63101
(314) 231-0109
Attorney for Defendant

Judgment entered:

EYVON MENDENHALL — 12/26/89

Clerk, U.S. District Court — Date

Approved:

GEORGE F. GUNN, JR.

George F. Gunn, Jr.
United States District Judge

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

NOTICE OF ENTRY OF JUDGMENT WITHOUT OPINION

JUDGMENT ENTERED: July 13, 1990

The judgment of the court in your case was entered today pursuant to Rule 36. No opinion accompanied the judgment. The mandate will be issued in due course.

Costs may be recoverable under Rule 39. A party entitled to costs is provided with a bill-of-costs form and an instruction sheet with this notice.

The parties are encouraged to stipulate to the costs. A bill of costs will be presumed correct in the absence of a timely filed objection.

Costs when taxed are payable to the party awarded its costs. If costs are awarded to the government, they should be paid to the Treasurer of the United States. Payment should be made to counsel for the party awarded costs or, if the party is not represented by counsel, to the party pro se. Costs should be paid promptly.

Exhibits and visual aids shall be promptly retrieved by the party that lodged them with this court.

FRANCIS X. GINDHART
Clerk

FROMSON V WESTERN LITHO, 90-1177
(DCT ED/MO - 82-354 C)

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

90-1177

HOWARD A. FROMSON,

Plaintiff-Appellant,

—v.—

WESTERN LITHO PLATE AND SUPPLY COMPANY and BEMIS COMPANY, INC.,

Defendants-Appellees.

ORDER

Before ARCHER, *Circuit Judge*, PLAGER, *Circuit Judge*, and CLEVENGER,

A petition for rehearing having been filed in this case,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, denied.

The suggestion for rehearing in banc is under consideration.

The mandate will issue on September 25, 1990.

FOR THE COURT,

Dated: September 18, 1990

/s/ FRANCIS X. GINDHART
Francis X. Gindhart
Clerk

cc: JOHN E. LYNCH
JOHN K. ROEDEL, JR.

FILED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT
SEPTEMBER 18, 1990
FRANCIS X. GINDHART
CLERK

FROMSON V WESTERN LITHO, 90-1177
(DCT - 82-354 C)

Note: This order has not been prepared for publication in a reporter.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT
717 MADISON PLACE, N.W.
WASHINGTON, D.C. 20439

FRANCIS X. GINDHART
CLERK

TELEPHONE: 633-6550
AREA CODE 202

September 21, 1990

John K. Roedel, Jr.
Senniger, Powers, Leavitt & Roedel
611 Olive Street
St. Louis, MO 63101

Re: Fromson v. Western Litho, 90-1177

Dear Mr. Roedel:

The court has requested a response from appellee to Appellant's suggestion for rehearing in banc.

Please file your response in accordance with Federal Circuit Rule 40 on or before October 5, 1990.

Very truly yours,

/s/ FRANCIS X. GINDHART
Francis X. Gindhart

FXG:cs
cc: John E. Lynch, Esq.

ing quality. This plate is available only in a limited number of sizes and gauges which are popular to the volume user. So if price is an important factor, this plate is the one to choose.

Next in cost is the News Grain. The News Grain Plate is a lightly grained, brush grain plate developed especially for the newspaper web-offset market where short runs exist and cost of plates is a factor. These plates are sold only in skid and one-half skid lots so as to pass savings on to the volume user. This plate is recommended for runs in the 25,000 class. The #2 plate in our line is the Thrift Grain Plate, which is an economical fine-grained brush grain plate. It is used where short and medium runs exist and where good reproduction is required. Thorough inspection in each step of its manufacture insures a flawless surface and trouble free performance. 30,000 to 50,000 impressions are currently being run on this plate.

The oldest member of our Wipe-On line and still one of the most popular is the Ball Velvet Grain plate. This plate was one of the first Wipe-On Plates on the market and still there is no equal in its price class for length of run and excellent reproduction. It is available in #7, 8-1/2, and 10—the numbers again denoting readings taken from the pneumatic grain gauge. Runs of 75,000 to more than 100,000 impressions of highest quality are run on this plate.

A relatively new comer to the Western line of Wipe-On Plates is the Jet Grain plate. This plate is a thrift grained plate which has been anodized to increase its durability. The fine grain and the anodized surface makes this plate ideal for the long run web press market from newspapers to high quality printing. Runs from this plate usually average 125,000.

At the top of our Wipe-On line is our Granite Grain Plate. This plate is an exclusive with Western Litho plate and should rank #1 on everyone's list as no wipe-on or presensitized plate can match its overall performance. Runs over 500,000 impressions are not uncommon with this plate—therefore, many jobs that are slotted for Deep Etch are run instead on this plate. The construction of this plate is quite unique requiring intricate instrumentation and quality checks

throughout its production; to give you a brief rundown on the manufacture of this plate, it is first degreased and slightly etched, as are all of our plates, so as to remove rolling oils and other foreign material. The plate is then put through our graining operation, where it is not sandblasted, brush grained, or etched to produce a matte finish, but rather the surface of the metal is rearranged electronically. Now this sounds a little odd, but very little metal is removed or added to the plate surface—it is merely rearranged. The type of grain formed by this operation differs from other graining techniques in that no sharp or pointed peaks or valleys appear, but rather squared off peaks and valleys. Also, these squared off peaks and valleys are not solid, but rather take on a microscopic honeycomb-like structure. In spite of having this honeycomb-like structure, the grain is not soft as one would expect, but is much harder than the base aluminum. This grain is also quite inert toward strong acid and alkali solutions and shows a remarkable inertness toward most photo-sensitive materials so that presensitizing would be relatively easy. To finish the process or to put the icing on the cake, so to speak, the plate is given a thin but extremely hard anodic coating. The durability of this plate can be attributed to its honeycomb grain structure and extremely hard surface. Where images of other plates are anchored to the surface of the metal, the image on a granite grain plate is held within the honey combed grain, and is protected from the abrading motion of an offset press by the extremely hard anodic coating. This anodic coating adheres tenatiously to the honey combed grain surface and is sealed in such a manner as to render it porous yet inert. So if you can picture a plate surface with squared peaks and valleys which are honeycombed and sealed with thin porous anodic coating, you have a pretty good idea how this plate appears under a high-powered microscope. As was mentioned, this plate is capable of 500,000 impressions or more, which makes it ideal for web or sheet fed press production requiring a highly durable plate capable of excellent reproduction.

To process any of the Wipe-On plates I have mentioned, three chemicals are needed—coating, developerd, and a final

gumming preparation. These chemicals are produced in our Greensboro, North Carolina, plant, where approximately 70 to 80% of the processing chemicals used on Wipe-On Plates are manufactured. A large part of our production also finds its way under labels of presensitized and other Wipe-On plate manufacturers. In the last two years, we introduced two new developers, both of which are designed to cut processing time and extend press life up to double that obtained from our other developing solutions. Set-in and Deletion Kits, One Step Image Remover, Plate Cleaners, and other specialty products capable of working on presensitized or Wipe-On plates complete our line of surface plate chemicals for the Diazo type plates. A complementary line of Deep Etch and Press Chemicals are also manufactured by Western Litho Plate. This brings us up to the present—having essentially eight lines of plates, Wipe-On, Deep Etch, and Pressroom Chemicals, all of which are 100% manufactured by Western Litho Plate. But what about the future? How does Western Litho Plate keep abreast of this fast moving industry? Automation has been the key to our industry, but until recently, has not spilled over into the plate making field. Western Litho Plate has introduces its own automatic plate processing machine and, coupled with new processing chemicals, has taken the drudgery out of plate making at a savings to the customer. This processor is able to accurately and fully develop the finest screen or the largest solid, use less developer than if the plate was processed by hand, and produce a longer running plate. Several processors are in operation in all parts of this country and abroad. Processing time for a 25-1/2 × 36-inch plate which includes developing, rinsing, gumming, and drying—30 seconds. Price for the machine—from $10,000 up, depending on the requirements of the purchaser.

The distant future—those products which will be made available five years from now, is indeed hard to predict, but Western Litho Plate management has had the foresight to organize a search for new basic knowledge and to explore programs aimed at the achievement of definite strategic goals. To touch on some of our future plans, I would like to

first mention the Granite Grain Plate. If you can think back to when I was mentioning characteristics about this plate, you will remember that its surface was extremely hydrophilic, that the bond between a hardened polymer and the plate surface was excellent, and the plate surface was inert toward most chemicals. These three characteristics immediately render this plate acceptable for presensitizing. Therefore, in the future, you can look for several new photopolymers to be marketed, the majority of which will be put on a Granite Grain surface or a variation.

Western Litho Plate itself has been working on a new photopolymer. This process promises a long storage life, excellent reproduction, negative processing, controlled exposure, press runs in excess of 500,000 impressions, easy processing, and economical in cost.

Past, Present, and Future—accomplishments, aims, and dreams. All firmly placed in the minds of those employed at Western Litho Plate. Western has the most dependable and efficient plates and chemicals in the industry today, and will be in a position to offer the same tomorrow. These features combined with our technical aid, management, foresight, and purposeful research aims all go a long way toward supplying the printing industry with products you can depend on being, "Best in the Long Run."

Note: This judgment is not accompanied by an opinion prepared for publication in a printed volume because it does not add significantly to the body of law and is not of widespread legal interest. It is a public record. It is not citable as precedent. The decision will appear in tables published periodically.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Filed
July 13, 1990
90-1177

HOWARD A. FROMSON,

Plaintiff-Appellant,

—v.—

WESTERN LITHO PLATE AND SUPPLY COMPANY and BEMIS COMPANY, INC.,

Defendants-Appellees.

JUDGMENT

On appeal from the United States District Court for the Eastern District of Missouri/Eastern Division in Case No(s). 82-354 6(C). This CAUSE having been considered, it is ORDERED and ADJUDGED:

PER CURIAM
(ARCHER, PLAGER and CLEVENGER, *Circuit Judges*):

AFFIRMED. Fed. Cir. R. 36

ENTERED BY ORDER OF THE COURT

/s/ FRANCIS X. GINDHART
Francis X. Gindhart
Clerk

DATED July 13, 1990

ISSUED AS A MANDATE: September 25, 1990

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

90-1177

HOWARD A. FROMSON,

Plaintiff-Appellant,

—v.—

WESTERN LITHO PLATE AND SUPPLY COMPANY
and BEMIS COMPANY, INC.,

Defendants-Appellees.

ORDER

ORDER

A suggestion for rehearing in banc having been filed in this case, and a response thereto having been invited by the court and filed,

UPON CONSIDERATION THEREOF, it is

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, declined.

FOR THE COURT,

/s/ FRANCIS X. GINDHART
Francis X. Gindhart
Clerk

Dated: October 29, 1990

cc: JOHN E. LYNCH
JOHN K. ROEDEL, JR.

FROMSON V WESTERN LITHO, 90-1177
DCT - 82-354 C

Note: This order has not been prepared for publication in a reporter.

Note: This judgment is not accompanied by an opinion prepared for publication in a printed volume because it does not add significantly to the body of law and is not of widespread legal interest. It is public record. It is not citable as precedent. The decision will appear in tables published periodically.

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(ARCHER, PLAGER and CLEVENGER, *Circuit Judges*):

AFFIRMED. Fed. Cir. R. 36

ENTERED BY ORDER OF THE COURT

DATED July 13, 1990

/s/ FRANCIS X. GINDHART

Francis X. Gindhart, Clerk

STATUS OF ELECTRO-CHEMICAL GRAINING AND ANODIZING OF ALUMINUM LITHOGRAPHIC PLATES

During the past 2 years we carried on laboratory experiments on electro-chemical graining and anodizing of aluminum lithographic plates, and built a Goldberg pilot plant to produce small plates in experimental quantities. We recently remodelled and rebuilt the pilot plant to produce small size plates on a commercial scale. Presently we can produce about 300,000 square feet of commercially acceptable plates per year in sizes up to about 7 square feet per plate. These plates are receiving favorable acceptance by the trade.

The major market, however, as reviewed by Steve, is believed to be in the larger long run press sizes of 48" x 59" to 58" x 77" or 20 to 31 square feet per plate. Accordingly, we have prepared preliminary designs for a commercial plant which, with single shift operation should produce 2,500,000 square feet annually of the larger sized plates. The 1/2" scale model shows the major design features of the proposed commercial plant.

Since much of the equipment must be custom built for this specific use, we submitted preliminary specifications to manufacturers and obtained estimating prices for the major items of equipment and built up an estimated cost for the completed plant. We are reasonably certain the plant can be built for under $125,000. At the estimated production rate a gross annual revenue of $1,000,000 should be anticipated from this plant.

The process produces a superior plate, has been proven to be practical, is subject to quality check and control, does not require highly skilled operating personnel and is sufficiently flexible to produce various large plate sizes.

There are two basic methods of producing electro-chemical plates, the so-called "batch process" and the continuous "coil line process." In the batch process as contemplated, from 16 to 24 plates are racked as a unit and processed at the

same time. In the coil line process, the uncoiling sheet is continuously processed and then cut to desired sizes. The coil line process is more complex, requires more space, is less flexible and we would estimate its cost from two to three times more than the batch process. Considering the present state of the art and the time needed to build volume sales, the batch process is believed to be the logical step at this time for Western Litho Plate and Supply Company.

L.V. Nelson

Western Litho Plate—Best in the Long Run? Well, perhaps I cannot convince you of that today, but I can tell you how we at Western try to hold our motto.

Western Litho Plate and Supply Company is made up of technical people who deal exclusively in the production of offset plates and lithographic chemicals. Since offset reproduction is our sole interest, we are in a position to give our undivided attention to producing the most efficient and economical offset plates and chemicals that money can buy. Our company was founded in 1925 and has shown consistent growth until today we are serving the entire nation with representation in most major cities, are represented in Europe, in the Far East, and Australia, and rank #2 in aluminum consumption for lithographic plates.

One question that is always asked of us as a manufacturer is, "Why do you produce so many types of plates? Why can't you just produce one and forget the rest? This would be the ideal situation, but today's printer needs a specific plate for a specific purpose. Therefore, there cannot be an all purpose plate, for no one plate can completely fit every situation. With our plate lines, we have attempted to cover the largest span of specifications with the smallest number of plate lines, which would appeal to the majority of the printers. We presently manufacture eight types of plates, all of which can be tailored to a specific size or to meet specific job conditions and requirements.

The first line of plates I wish to discuss is our Deep Etch Plates. We currently have two series of Deep Etch plates—our Regular Ball Western, and our new 100 Series. Our Regular Ball has been a favorite over the years because of its cleanliness, amazing offinity for copper, and easy handling on the press. This plate is available in 7, 8-1/2, 10, 12, 14, and 17 Grain. The numbers I used correspond to a number of registered on a pneumatic grain gauge which assures grain uniformity on each and every plate. By measuring the air escaping from an orifice in contact with the plate surface, accurate measurements as to the grain depth can be made. This escape of air is measured on a gauge from which we get

our designated grain depths, Number 7 being the finest, Number 17 being the most coarse, and the other numbers falling between these limits. About one year ago we introduced our new 100 Series, which has had excellent acceptance. The 100 Series is available in the same sizes and grain depths as our Regular Ball grain plate, but is made in such a way as to insulate the freshly grained surface from atmospheric oxidation. This surface treatment or conversion coating if you wish, in no way effects the action of etches or copperizing solutions, but rather inhances or improves their action on the plate. The absence of aluminum oxide is quite evident a the plate etches more evenly and copperizes faster. The 100 Series also eliminates the use of strong counteretches or any counteretch at all. The 100 Series also runs cleaner on the press as the surface treatment or conversion coating exhibits hydrophilic properties in those areas where it has not been destroyed by etching. The 100 Series is available from 15-1/2 x 20-1/2 to 58 x 77 in plate size, and from .009 to .025 in thickness as are most of our plates. In addition to all of these features, the 100 Series is sold at no extra cost to the customer. Needless to say, more and more customers requiring deep etch metal are turning to the new 100 Series.

The other lines of plates which we manufacture are negative working wipe-on plates designed for on-the-job sensitizing, assuring a consistently fresh coating on every plate. These plates can be made up in a matter of minutes and give extra-ordinary reproduction. Western Wipe-On Plates are ideal for any type of printing reproduction and are suitable for all but the extremely long runs (over 500 M) which require Deep Etch, multimetal, or other more costlier plates and processes.

Western's Wipe-On Plates are priced as to the length of run capabilities of a plate, as fidelity of reproduction is identical on all of our plates.

The most economical of the Wipe-On Plates produced by Western is the SRP Plate, which stands for Short Run Plate. Although the plate is made for the 20,000 impression class, longer runs have been obtained with no sacrifice as to print-

MEMORANDUM

February 25, 1965

TO: Steve Gould
cc: Ray Freese

Enclosed is a Velvet Grain price list where we have computed a proposed "Granite Grain Price" and put in the same box as the chemical grain price. In other words, you would have a direct comparison between the chemical grain price we are now using and the Granite Grain that we would like to adopt. It represents a return on processing of approximately 50% more.

The formulae we used were as follows:

A. Below 600 square inches
   1.5 (Metal cost + 0029 × sq. in.)

B. Above 600 square inches
   1.5 (Metal cost + .0024 × sq. in.)

I went over the estimated cost and the projected cost curve with Les and these prices looked as if they would follow our costs generally but with a good strong margin present in all sizes. You will note that we have only gone up as high as the 40 inch plates since we cannot produce any larger at this time.

If you get a chance to look these over, we would appreciate it as it is possible that we could be selling these in another week. We will look forward to any suggestions you have.

Bob Gould

WRG/tm
Encls.

1/25/65 Below 600 Sq. Inch = 1.5 (M.C. + .0029 × sq. in)
Above 600 Sq. Inch = 1.5 (M.C. + .0024 × sq. in)

December 1, 1964 PROPOSED GRANITE GRAIN PRICES

Price List: VELVET GRAIN (Negative)

SIZE	Thrift Grain		Velvet Grain Ball & Chemical	
	.009	.012	.009	.012
12 × 18 13-3/8 × 17-3/8 13-5/8 × 18-3/8 16 × 17-1/2	.71	.78	.91 1.53	.98 1.61
15-1/2 (3/4) × 20-1/2 15-5/8 × 21-5/8 16-3/8 × 20-1/2 17 × 17 1/2 17 × 18-3/4 17-3/4 × 19-3/4 18 × 19-3/4	.81	.89	1.07 1.86	1.13 1.94
16 × 22-1/2 16-5/8 × 22-7/8 17-3/16 × 21 1/2 18 × 21-7/8 18-3/4 × 22-1/2 18-7/8 × 22-1/8	.84	.93	1.26 2.18	1.35 2.27
15-1/2 × 25 15-1/2 (16-3/4) × 23-3/4 17-5/8 × 24-5/8 18-3/8 (3/4) × 24-3/8 (1/2) 19-7/8 (20) × 24-5/8	.96	1.04	1.50 2.52	1.60 2.61

December 1, 1964 PAGE 3

Price List: VELVET GRAIN (Negative)

SIZE	Thrift Grain		Velvet Grain Ball & Chemical	
	.009	.012	.009	.012
17-1/2 × 26-3/8 18-3/4 × 26-3/8 18-7/8 × 27 19 × 24-1/2 19 × 29 3/4 19-1/8 × 26-1/4	1.23	1.35	1.65 2.93	1.77 3.05
19-3/4 × 23 20 × 20-5/8 20 × 22-5/8 20 × 23	.89	.96	1.33 2.36	1.42 2.45
20 1/4 × 20-1/2	1.08	1.19	1.47 2.31	1.63 2.42
20-1/16 × 24-5/8 21 × 23-3/4 21-1/2 × 22 3/16 22 × 24-5/8 22-1/2 × 24-1/4 22-5/8 × 23	1.16	1.26	1.77 2.88	1.92 2.99
22-3/4 × 25-1/8 (26) 23 × 26 23-3/4 × 26-1/8 (1/4) 24-1/16 × 27 24-3/8 × 26-3/8 24-1/2 × 25 24-5/8 × 26-1/2	1.25	1.35	2.03 2.87	2.18 2.97
22 × 28 23-3/4 × 27-7/8 (28)	1.35	1.47	2.22 2.99	2.42 3.12

December 1, 1964 PAGE 4

Price List: VELVET GRAIN (Negative)

SIZE	Thrift Grain			Velvet Grain Ball & Chemical		
	.009	.012	.015	.009	.012	.015
23 × 31 22-15/16 × 32-1/2	1.40	1.61		2.41 3.24	2.63 3.45	
22-15/16 × 34	1.50	1.65		3.41 2.46	3.59 2.68	
21 × 29 3/4 24-1/2 × 27-3/4 24-5/8 (5/16) × 30 25 × 27-3/16 26 × 27	1.46	1.59		2.18 3.27	2.34 3.41	
25 × 31 25-1/2 × 30 26-1/4 × 29-3/4	1.52	1.65		2.30 3.42	2.46 3.56	
22-15/16 × 36 23-1/16 × 36	1.55	1.70	2.12	2.64 3.60	2.86 3.75	3.16 4.17
24 5/8 (9/16) × 36 24-3/4 (7/8) × 35-1/2 (36) 25 × 36 25-3/8 (1/2) × 35-1/2 25-1/2 × 36	1.71	1.88	2.25	2.64 3.98	2.86 4.16	3.16 4.52
24-3/4 (25) × 36-1/2 25 × 36-1/2 25-7/16 × 36 1/4 26-3/4 × 36-1/2	1.92	2.01	2.51	2.74 4.16	3.07 4.34	3.25 4.61
24-3/8 × 36-3/4 24-5/16 × 38 25-7/8 × 39 26-3/8 × 37-1/2 26-1/2 × 39-1/2	1.98	2.12	2.57	2.96 4.47	3.26 4.64	3.45 5.10

ANALYSIS OF PREMIUM WIPE-ON PLATE SALES

August 20, 1965

Objective: To separate the long-run wipe-on plates being sold that are within the size capabilities of our pilot Granite Grain plant from the plates too large to produce with the pilot equipment.

Period: A 3-months period used—April, May & June—1965

PLATES 38" AND BELOW

PLATE TYPE	Actual No. Plates Sold	Est. Value	Est. Dollar Total
Ball VG	31,351	$2.00	$62,702
Chem. Gr.	11,471	$2.00	22,942
Granite Gr.	1,915	3.00	5,745
TOTAL	44,737		$91,389

PLATES ABOVE 38"

PLATE TYPE	Actual No. Plates Sold	Est. Value	Est. Dollar Total
Ball VG	11,173	$8.00	$89,384
Chem. Gr.	0		
Granite Gr.	0		
TOTAL	11,173		$89,384

PLATE TYPE	TOTAL No. Plates	TOTAL $ Amt.	Actual Sales
Ball VG	42,524	152,086	$154,614
Chem. Gr.	11,471	22,942	21,548
Granite Gr.	1,915	5,745	5,375
TOTAL	$55,910	$180,773	$181,537

Talk Given By Ed Parker at Sales Meeting in September 1965

Western Litho Plate and Supply Company was started in St. Louis as a graining plant by E. E. Fickenworth, proprietor, in 1925. Branch operations developed in Chicago, Atlanta, and Dallas and the business was incorporated in Missouri in 1947.

The St. Louis plant was purchased December 22, 1952. Operations which consisted solely of graining Zinc plates were continued in the building at 1927 South Third Street, leased from Fickenworth. Growth began with development of fine grains on Zinc, with revival of Aluminum as lithographic sheets (which has replaced Zinc 100%), and with the selection of the Wipe-on process for plates as a means of company expansion.

In January 1959, a wholly-owned subsidiary was incorporated in North Carolina for manufacturing Wipe-on chemicals at Greensboro, North Carolina. Operations at Greensboro and St. Louis have been kept separate with exception of Billing and Accounting which are handled at St. Louis.

In general, St. Louis plates are sold by company salesmen in large printing areas with some dealer distribution in lesser areas. One wholesale account, Sinclair and Valentine is marketing plates from St. Louis under separate label.

Greensboro manufacture, recently expanded to include in addition to chemicals, low-coat web-line production of plates, is marketed exclusively through wholesale distributors, including St. Louis and Sinclair and Valentine, and retail dealer outlets.

Research is a vital phase of company activity and is carried on at both St. Louis and Greensboro under the direction of Head of Research at Greensboro.

ST. LOUIS

St. Louis manufacture is based on a 35-hour week using Lithographers and Photo Engravers International Union, and consists entirely of graining and treating aluminum plates. Grains are produced in sheet-fed equipment consisting of:

A. One Fuller Brush machine using three Nylon bristle brushes followed by hydrophylic treatment of the surface for the Wipe-on process. Capacity at 16'/ minute of travel is estimated at 2000 web plates per 7-hour shift.

B. Six conventional ball grainers modified for more efficient operation and enlarged to accommodate in a layer a greater number of large-sized plates which make up a substantial part of Western's market. Estimated capacity 2400 web press plates per 7-hour shift.

C. Electro-Chemical grain which produces a fine porous grain similar to the old lithographic stone surfaces and which can be treated either chemically or by anodizing for the Wipe-on process. Pilot plant (including anodizing) is in operation. Capacity 200 plates (maximum size 34½ × 42½) in 7-hour shift.

—PRODUCTS—

Web Press Size .009 Tck

	USE	PRESS RUN CAPABILITIES	PRICE IN RELATION TO MARATHON
BRUSH GRAIN	WIPE-ON	25,000–50,000	125%
BALL GRAIN	DEEP-ETCH	150,000–250,000	160%
ELECTRO-CHEMICAL GRAIN	WIPE-ON	75,000–100,000	210%
ANODIZED	WIPE-ON	100,000–150,000	300%

Future plans include:

A. Full scale Electro-chemical plant graining and anodizing—sheet fed to 58″ × 77″ size.

B. Web type continuous anodizing of Brush grain surface for low-cost manufacturing of a long life plate.

C. Study of process for using anodized plates with D. E. Chemicals and positive type film.

GREENSBORO

Greensboro operation is on a 40-hour weekly basis with non-union labor and includes:

A. CHEMICALS

1. Full line of wipe-on chemicals including positive wipe-on's and direct image plates.
2. Complete line of Deep-etch chemicals.
3. Complete line of Press Chemicals.

B. PLATES

All plates are based on the grain produced on a web line with capacity of 4,000 web press plates in 8 hours.

1. Quad+—wire brush surface treated for wipe-on process.
2. Marathon—wire brushed plus chemically etched surface to improve appearance and press performance of the Quad+ plate and treated for Wipe-on process.
3. Positive Wipe-On—Marathon plate treated for Positive film use.
4. Direct Image Plate—Marathon plate treated for positive film use.

—PRODUCTS—

	USE	PRESS RUN CAPABILITIES	PRICE IN RELATION TO MARATHON
1. Quad +	Wipe-On	25,000 to 50,000	90%
2. Marathon	Wipe-On	40,000 to 80,000	100%
3. Positive	Wipe-On	40,000 to 80,000	210%
*4. Direct Image	Wipe-On	40,000 to 80,000	210%

* Direct Image plate still requires investigation of light source and lenses in relation to Coating. Chemistry completed.

Mr. S. G. Gould
Western Litho

BOSTON BEMIS

March 4, 1968; aml

GRANITE GRAIN PLATE CAPACITY

I was pleased to learn that the demand for the granite grain plate is getting stronger every day with the only disappointment being your limited output capacity. Your suggestion that you purchase a second piece of pilot plant equipment in the area of $15-20,000 investment seems like the only practical course available.

I suggest you proceed in this direction and I would like to have, at your convenience, a brief outline showing the anticipated dollar volume that will be produced by this equipment along with the expected profit which I surmise would indicate a rather rapid payout of the investment.

I checked on the employment agreements and one for you was sent to Abbott along with the others. These have just been revised to incorporate some changes Wallace had requested and these should arrive down there in the next few days. I am sure Vic Wallace will be getting in touch with you.

Look forward to visiting with you next week.

Best regards.

/s/ J. S. HEARD

J. S. Heard

cc: W. R. Gould
L. V. Nelson
Roy Bax

Mr. R. E. Harrell

REPROGRAPHICS OPERATIONS

February 6, 1970

ADDITIONAL CAPITAL APPROPRIATIONS

Confirming phone, the following have been approved by the Bemis Board on 2/5.

Building.....$100,000 additional
(making total appro. $1,750,000)
Granite Grain Line $177,000

The Jet Grain (coil line) appropriation was left at the earlier approved $200,000 and we suggest you reserve the $54,000 of deferred items (as noted in our report) to apply against any overage that may result on the coil line (estimated at $237,000).

Hope this takes care of your present requirements. If you continue to make the same great and rewarding return you have been making, we probably will have the same success for additional appropriations that we had this time. Best regards.

/s/ J. S. HEARD
J. S. Heard

[Letterhead of WESTERN LITHO PLATE]
Inter-Office Letter

DATE January 19, 1973
TO Frank Arbeiter
FROM John W. Mead
SUBJECT Granite and Jet Grain Plates

With the new year upon us, most of the year end reports have been completed for 1972 including the Credit Analysis for RA's. On a whole, it appears that the company had a pretty good year; sales were up over last year, yet RA credits were lower.

Two manufacturing areas though need, and will get special attention this year to see if we can bring the amount of returns down. The first area is the Chemical Mix Department. Although there were credits totaling $24,996.48, and this was above the 1971 figure of $22,349.55, sales have increased in this area, so things don't look as bad as they might seem. In fact, based on net sales for chemicals, the return figures are lower percentage wise for 1972. In 1971, the return credits added up to .83% of the net sales, while in 1972 they only added up .74% of the net sales. I think a lot of the credit for this decrease can be attributed to changes made within the department itself, but I hope a portion of this can be attributed to the more stringent tolerances and new tests that we have enacted during the past twelve months. It appears that we are on the right track in controlling chemical returns, but there is still room for improvement. With this room, plus our awareness of the problems and, the controls enacted in the past two months, I believe that the 1973 return figures can be lowered substantially for this manufacturing area.

The second manufacturing area that has been, and will get special attention is the Electrolytic Department. It does not seem though, that there will be much improvement in this area unless some answers are found to one particular problem. The major portion of the returns in this manufacturing area (39.68%) can be related to this problem, and it has been

October 22, 1968
Bob Harrell cc: Ray Freese, Ed Eisenberg, Bill Brown, Les Nelson, Duke Lavacki
Bob Gould

Les, Duke and I spent most of the morning discussing the feasibility of a Granite Grain plant for the larger sizes. As was expressed by the sales group in our meeting last Friday, these large Granite Grain plates should have a strong market for several years even though they are at a premium price. In considering this plant, we approached it with the idea of setting it up with a minimum of investment. As you know, Les has plans for a large plant, so we discussed less output and fewer automatic features.

We tried to estimate the cost of a 12 plate per batch operation capable of Granite graining 58 × 77 inches. This would produce 500 plates per day. In spite of the reduced number of plates, the electrical system would have to be about double the size of the small commercial plant we have just built. Handling the plates must be done differently because of size and this adds extra cost. Chiller capacity, tank size, hoist and beams to pick up the hangar from both ends, etc., all make the arrangement different from the plant Les has just completed. As a rough estimate, it looked as if we might reduce the capital investment from $200,000 to approximately $125,000. Les is going to review the whole thing and will be able to give us a little more definite figure in the next few days.

Meanwhile, Duke will be working with .020 metal to see what the problems are. Better pre-cleaning or pre-etching may be indicated.

Later this afternoon, we had a session with Herb Johnston and Jack Welch of International Anodizing. They came in to find out what our latest thinking was on working with them on the coil anodized plate. We told them that we still had interest in such a plate but that our interest in them was and still is to save time in getting the plate on the market. With the present delay because of patent problems, we might go

ahead without them when the time comes. They still seem anxious to work with us if we desire.

Through the Olin Sales group, I had heard that International Anodizing was not faring too well. For this reason, I asked whether they might consider selling us one of their coil lines. They said that this was possible and to contact them when we are ready. If a line was not available, they offered to do the engineering on a line for us.

Larry should be back next week with more reports on the brush grain anodized. As soon as is practical, we must decide on whether we should go ahead with the coil anodizing plant, the Granite Grain plant or whether we want to go ahead with both.

W. R. Gould

WRG/tm

plaguing customers in the field for the past eighteen months. The problem is blinding or areas of the image that just refuse to develop up solidly. The actual credit dollars issued in 1972 for the blinding problem alone on Granite and Jet grain plates totaled $7,689.19. This doesn't seem like a whole lot of money when comparing it to some of the other credits that have been issued, but this figure does not include all of the time that our salesmen have spent on service calls. Nor does this figure include the value of the potential customers that could have been called on while a salesman was servicing a customer with blind Granite or Jet grain plates. The big item that this figure does not include is the fact that Western's sales in Granite and Jet grain plates were down from last year's sales. Down a big $32,426.00! Granite and Jet grain plates are big money makers for our salesmen and for the company due to their profit margin, but many salesmen tell me that unless something is done to correct the blinding problem, they will loose even more customers in 1973 than were lost in 1972. Personally, I'm not sure if the blinding problem was the only reason for the drop in sales this year, but I feel that it played an important part in causing the drop and that something should be done about it.

If management is aware of the sales drop in Granite and Jet grain plates, and of the reason for this drop, then this memo can only add more emphasis to the problem. But, if the reasons for this drop is not known, then I hope this memo will bring the problem to light and result in some type of directed study of the problem, and hopefully, a solution.

JWM:ld

cc: Mr. R. E. Harrell
Mr. W. R. Gould
Mr. R. C. Bax
Mr. E. H. Parker
Mr. H. A. McGaughy
Mr. C. H. Lavacki

[Letterhead of Western Litho Plate]
Inter-Office Letter

DATE December 2, 1974

TO Roy Bax, Ed Parker, Len Kumpf

FROM Don Toliver

SUBJECT Coil Anodizing

The purpose of this memo is to summarize a meeting of November 21, 1974, with Alcoa regarding our coil anodizing operation. Those present were len Kumpf, and myself from Western and Joe Pontius, Frank Baker and Dan Boland from Alcoa.

We discussed all sections of the line starting with the coil stand and ending with the cut to length shear. We concentrated most heavily on the design of the "Liquid Contact Cell" and the "Anodizing Cell".

One of the first questions that Dan Boland asked was: Are you sure that a 48″ web is the maximum? He indicated that most Litho people are building 60″ wide equipment.

Neither Frank or Dan were able to give us recommendations on coil handling equipment such as unwind stands, levelers, drive stations, etc. They said, however, they would contact Mr. Red Daves of Alcoa, who can provide this information to us. They did provide us with several sheets of data relating to system design and suppliers of equipment related to anodizing. Copies of those sheets are attached to this report.

Notes and comments on the various stations are as follows:

Degreaser:

A station similar to our existing S.R.P. degreaser is suitable. Alcoa suggested that top and bottom rotary brushes are effective in degrease stations and the length of the station can be reduced to about 5 feet with a "Spray—Brush Spray" arrangement.

Degrease Rinse:

Our present design of entry and exit pinch rollers, with top and bottom spray lines in between is satisfactory.

Brush Grainer:

Alcoa is familiar with the Fuller machine. They make no recommendations in this area.

Rinse After Brush:

A good high pressure rinse is required to flush silica from the web.

Etch Station:

Alcoa is presently preparing a report regarding the desirability of a chemical etch prior to anodizing. They are working with Nitric Ammonium Bifloride. This of course, is similar to our present H.F. treatment. Alcoa feels that this is important and that we should at least leave room (about 14 to 16 feet) for this etch, even if we don't install it initially.

Liquid Contact Cell:

This unit will be basically as shown in Alcoa's report to use of October 23, 1974. On November 21 we discussed specifics such as roller diameter and design replacement of anode and placement of baffles, size of heat exchanger etc. This information is shown on sketch #SK 1 dated 12-2-74

Anodizing Cell:

This station will be substantially as specified in Alcoa's report of 10-23-74. See new sketch #SK-2 dated 12-2-74 which incorporates data brought out in the 11-21 meeting. Stainless steel cathodes are recommended. Some of the cathodes will be removable and the exit rollers may have to be movable to compensate for varying web speeds. Alcoa will advise us further on this.

Rinse After Anodize:

A good high pressure rinse is required to flush acid from web surface. Immersion is not absolutely required.

G-3 Treatment:

This can be similar to our present S.R.P. design. Alcoa is going to send us data on their #479 process which is similar to our G-3 process.

The remainder of the line would be similar to or existing S.R.P. line with coating stations added, if desired.

Misc. Notes:

Quality Control Alcoa suggest that hourly checks of anodize coating weights be make [*sic*].

Grain Test Alcoa to send us data on their grain testing technique #556.

Splicing Tape throughly top and bottom, to avoid carrying trapped liquid from station to station. Use and adhesive tape first and cover with Mylar or Teflon tape.

Patents Alcoa will send us copies of patents relating to anodizing.

Frank Baker indicated that Alcoa couldn't provide much additional information to us. They are going to send revised sketches of the liquid contact cell and anodixe cell. They will provide this patent data, the grain testing data, the Alcoa 479 process data, and the report on "Etch before Anodize". I believe that we now have sufficient data to design and build an anodizing station for the S.R.P. A short discussion or correspondence with Mr. Red Daves should give us enough data to specify levelers, drive components, edge guide systems etc. and we will then be able to design and build a complete new line.

DT/ht

IN THE DISTRICT COURT OF THE UNITED STATES
FOR THE EASTERN JUDICIAL DISTRICT OF MISSOURI
EASTERN DIVISION

CIVIL ACTION Cause No. 82-0354-C(4)

Judge Cahill

HOWARD A. FROMSON,

Plaintiff,

—VS.—

WESTERN LITHO PLATE AND SUPPLY COMPANY,

Defendant.

DEPOSITION OF ROBERT E. HARRELL

Taken behalf of Plaintiff
November 19, 1985

WALLER REPORTING, INC.
411 North 7th Street, Suite 1301
St. Louis, Missouri 63101
(314) 621-2571

[103] A. At least six.

Q. Competitors making and selling anodized and silicated wipe-on plates?

A. Right.

Q. Were there other plates available to Western that would compete in the marketplace with the anodized and silicated wipe-on plate?

A. Available to?

Q. Western?

A. You mean of our manufacturer?

Q. Correct.

A. No.

Q. In order to compete you have had to continually sell the anodized and silicated wipe-on plate or get out of the market?

A. Correct.

Q. When Mr. Fromson put you on notice in 1975, you were the president of the company?

A. That is correct.

Q. Did Western decide to continue to sell anodized and silicated lithographic plates?

A. Yes.

Q. Wipe-on and presensitized?

A. Yes.

Q. Now, we talked become Richardson, Advance, [127] shown on the second page as receiving an copy. Would you look at the document, but I want to ask you about the second page? There's a statement on the second page about 4th or 5th line down, "Granite and Jet grain plates are big money makers for our salesmen and for the company due to their profit margin, but many salesmen, et cetera. In 1973 what were the profit margins for Granite and Jet grain, do you recall?

A. No, I don't recall.

Q. Do you recall that Granite and Jet grain plates did in fact produce a large profit margin?

A. Yes, they did. They were profitable plates for us.

Q. Exhibit 8 that we reviewed this morning shows Granite grain plates starting in 1965 at approximately $20,000, is that correct?

A. Granite grain.

Q. Is that what that document shows?

A. It shows 1965, yes, we had $20,000.

Q. And let me just look at it for a second and that increased in '66 to 37,000 and then '67 it jumped to 163,000?

A. Yes.

Q. And when was the Jet grain plate introduced?

A. 1966.

[128] Q. Now, in 1965 did you bring on line a facility for making the Granite grain plate?

A. The facility was in place in 1963.

Q. But this document shows no sales for '63 and '64.

Q. Now, in 65—Let me ask you first in '63 did Western make any projections as to what they would expect to generate by way of a profit margin on the Granite grain?

A. I doubt. We were not that sophisticated at that point in our growth.

Q. 1963, how about 1965?

A. I doubt if there was a lot of projections, no.

Q. What kind of profit did you make in 1965 to the Granite grain plate?

A. I don't know.

Q. Was it too small to calculate?

A. You could have calculated it, it wouldn't have been a large amount because of the volume.

Q. By 1967 was the Granite grain profitable?

A. Very profitable.

Q. Do you recall approximately what the profit margin was?

A. Operating profits or gross margins, I don't [129] know where to pick it up.

Q. Operating profit?

A. Operating profit, I would say it was profit in the range of 16 to 20 percent.

Q. How do you define operating profit?

A. Before Sam.

Q. Before Uncle?

A. Yes.

(Whereupon, Plaintiff's Deposition Harrell Exhibit No. 31 was marked for identification.)

Q. I am going to show you document No. 101190 entitled profit contribution based on pricing of December 1, 1980 for plates. Do you recognize that?

A. I recognize it.

Q. Now, forgive me if we duplicate here, my memory isn't as good as yours, tell me which of these products are wipe-on anodized and silicated?

A. Super jet is wipe-on.

Q. Anodized and silicated?

A. Yes, these are all silicated.

Q. All of these plates are silicated?

A. Yes, Challenger, Final Edition. These are marginal income contributions.

Q. I'll ask you about them in a minute. I'm just trying to identify the products. Now, there are

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

Docket No. 82-0354-C(4)

Saint Louis, Missouri
February 18, 1987
9:35 P.M.

HOWARD A. FROMSON,

Plaintiff,

—v.—

WESTERN LITHO PLATE AND SUPPLY COMPANY,

Defendant.

VOLUME 2
TRANSCRIPT OF TRIAL
BEFORE THE HONORABLE GEORGE F. GUNN, JR.

APPEARANCES:

For the Plaintiff: Felfe & Lynch
BY: JOHN E. LYNCH, ESQ. and
ALFRED H. HEMINGWAY, JR., ESQ.
805 Third Avenue
New York, New York 10022

For the Defendant: Senniger, Powers, Leavitt and Roedel
BY: JOHN K. ROEDEL, JR., ESQ. and
EDWARD J. HEJLEK, ESQ.
611 Olive Street
St. Louis, Missouri 63101

[14] Q. Did you know that Mr. Fromson was to anodized that coil?

A. Well, I think that was the purpose that it was sent there for.

Q. Did you know that Mr. Fromson—did you know if Mr. Fromson was to post-treat this coil in any way after he anodized it?

A. Again, I wasn't a party to the discussion that sent it up.

Q. You don't know if it was post-treated or you don't know what happened to the coil?

A. I have no direct knowledge on that.

Q. Mr. Harrell, I'll show you Plaintiff's Exhibit 27. During you deposition, I asked you about that document and I think you identified it as a speech by Mr. Parker. Do you recall that?

A. Yes, I do.

Q. And I think you said you dated it or you placed it at approximately 1966. Do you recall that?

A. I recall that.

Q. And I asked you if the Granite Grain plate and the Jet Grain plate were silicated and you said that Mr. Parker says that in his speech. And I believe you referred to a portion of the speech that said that the anodized product was sealed in such a manner to render it porous, yet inert. Do you remember that?

A. Yes.

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

Docket No. 82-0354C(6)

Saint Louis, Missouri
February 24-25, 1987

HOWARD A. FROMSON,

Plaintiff,

—versus—

WESTERN LITHO PLATE & SUPPLY,

Defendant.

TESTIMONY OF TRIAL
VOLUME 6
BEFORE THE HONORABLE GEORGE F. GUNN

APPEARANCES:

For the Plaintiff:
Mr. John E. Lynch,
Mr. Alfred Hemingway
805 Third Avenue
New York, New York 10022

For the Defendant:
Mr. John K. Roedel
Mr. Edward Hejler
611 Olive Street
St. Louis, MO 63101

Lynne E. Shrum, Official Court Reporter
Court Number 6
Federal Building—Room 805—1114 Market
St. Louis, Missouri 63101

[38] A. Again I don't specifically recall, but it would be usual.

Q. You recall of the projections were rosey?

A. It had a limited market, but we—we had a lot of that type business.

Q. So you saw a good market for this product, the granite grain product in February 1965?

A. We probably were projecting a good market, yes.

Q. And you can't recall what type of profits that you were projecting you would realize from the sale of this plate?

A. I cannot, no.

Q. Let's go back to Jewett and the 3M patent for a minute.

A. Uh-huh.

Q. Were you aware at any time that you were with Western that 3M had sued some companies on the Jewett patent?

A. Yes.

Q. Do you recall who that was?

A. They were some of the pre-sensitized manufacturers, Polychrome I believe for one.

Q. Harris?

A. Harris.

Q. Did you know if Mr. Deal was involved in the Harris litigation? Do you recall that?

A. I knew him very slightly. I did not recall, no.

Q. Did you—do you recall reading any decisions reporting

Extract from Defendants' Exhibit 279

	Sales Summary			1982 (1/1/82 to 5/4/82)			
Product	$$$$$ Purchase	$$$$$ Non-w/o	$$$$$ Wipe-on Anodized	$$$$$ Coated Anodized	$$$$$ Misc	$$$$$ Total	
PFX		27,040				27,040	
D.P. Plates	9,089					9,089	
Multi-Qk	18,773					18,773	
F.P.			34,012			34,012	
Galaxy			270,730			270,730	
Challenger			882,182			882,182	
Final Edition			457,649			457,649	
Metro Express				435,242		435,242	
Front Page			1,639,152			1,639,152	
Super Jet			519,818			519,818	
News CL			35,142			35,142	
Headline CL			154,807			154,807	
Base +			53,819			53,819	
F.P. Additive				21,695		21,695	
Superkote				94,280		94,280	
Proj Coat				(6,245)		(6,245)	
Starkote				576,597		576,597	
Pressready				229,416		229,416	
Newsmaker				142,733		142,733	
P.P. Sub				55,295		55,295	
Donn Positive			163,370			163,370	
Positive					22,006	22,006	
Total for Year	27,862	27,040	4,210,681	1,549,013	22,006	5,836,602	5,836,602
Schedule is for 4 months, adjust for May Divide by 84 Multiply by 86	28,525	27,684	4,310,935	1,585,894	22,530	5,975,569	

["Anodized" plates are Fromson plates.]